

getting the right tone

Eastern Europe
Privatisation will
fuel new advances
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Drawing the line
Nato seeks a new
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A willing sacrifice
Stephen Wolf steps
down to save UAL
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Rights in flight
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Europe's Business Newspaper

US strikes deal with Abu Dhabi over BCCL assets

The US has reached a deal with Abu Dhabi that settles some counter-claims on the assets of the collapsed Bank of Credit and Commerce International. It also gives US prosecutors access for the first time to Swaleh Nagvi, second-ranking manager of BCCL who has been under house arrest pending charges in the Gulf emirate.

US legal and banking authorities as well as trustees for First American, the US bank illegally controlled by BCCL, agreed to drop a civil lawsuit against Sheikh Zayed bin Sultan, ruler of Abu Dhabi and BCCL's majority shareholder. Page 3

General Motors, world's largest vehicle maker, aims for a net profit on its North American automotive operations in 1994 after three years of heavy losses, chief executive Jack Smith said. Page 15

Sydney waits for rain: Cooler weather offered Sydney hope of an end to its four-day battle with bush fires that have destroyed more than 150 homes on the outskirts of the city and killed four people. Rain is not due until Wednesday at the earliest. Story and picture, Page 4

To ask EU help over Japanese markets: US trade representative Mickey Kantor will today ask the European Union to join an effort over the next month to persuade Japan to open its domestic markets further. Page 14; Headline three months for trade negotiations, Page 3

Support for Mideast accord slides: Palestinian support for the peace agreement with Israel is disintegrating and economic conditions in the occupied territories are deteriorating, the Israeli cabinet has been told. Page 4

Fallings in Metallgesellschaft's US arm: As losses at stricken German metals and oil trading group Metallgesellschaft began to mount in the autumn, further misjudgments by the group's management in the US added to the scale of the disaster. When the hedging had to stop, Page 18

European Monetary System: After the Bundesbank's announcement that interest rates will remain fixed for the time being, the D-Mark has firmed fractionally within the EMS grid. The Spanish peseta, however, continues to weaken at the bottom of the grid. Meanwhile the punt remains unchanged at the top, in spite of an Irish interest rate cut on Friday. Currencies, Page 29

EMI chart, January 7, 1994

Irish Punt

Guilder

D-Mark

E-Franc

F-Franc

D-Krone

Escudo

Peseta

DM

<

NEWS: INTERNATIONAL

Alliance involvement in tripartite peace plan seen as vital

Bosnians to press for Nato air strikes

By Judy Dempsey in Bonn and Laura Silber in Belgrade

Bosnian officials are planning a diplomatic drive to persuade Nato to launch air strikes against Serb positions as a means of protecting aid convoys and lifting the siege of Sarajevo.

Separately, in a letter sent to this week's Nato summit in Brussels, the Bosnian government urges the defence alliance's involvement in any peace plan agreed between Bosnia, Croatia and Serbia.

"Nato is the only entity that can muster the necessary forces with the proper mandate and resources that are critical to a successful programme," it

said. The letter coincides with growing impatience within the European Union over failure to reach a negotiated political settlement.

Yesterday, Mr Jean-Luc Dehaene, Belgian prime minister, said the Nato summit must "give a signal... We must seriously consider whether to carry out air strikes".

The US and Britain sent a demarche to Serbia's President Slobodan Milosevic at the weekend stating that air strikes in support of aid convoys had not been ruled out.

In an interview on BBC television yesterday, Mr John Major, British prime minister, reaffirmed the UK's readiness to launch air strikes if the UN

requested Nato to do so. The renewed attempts by the Bosnian government to involve Nato came as Lord Owen and Mr Thorvald Stoltenberg, the international peace negotiators, sought agreement between Bosnia and Croatia on a ceasefire in and around Vitez, a Croat enclave in the centre of the republic.

Talks, which had been due to open in Bonn on Saturday, were postponed until yesterday after shelling at Sarajevo airport prevented Bosnian President Alija Izetbegovic's departure.

The talks between Mr Izetbegovic and President Franjo Tudjman of Croatia will aim to end conflict in central Bosnia

and reach agreement on the future status of Mostar in western Herzegovina. Bosnia's access to the sea under an eventual peace agreement will also be discussed.

But Bosnian government officials yesterday said they were determined to hold on to the area around Vitez. "There are crucial military installations and production facilities here," a senior diplomat said.

"The Croats want this region, so do we," he added. However, he said the Bosnian government opposed the imposition of sanctions on Croatia as a means of applying pressure on Zagreb to pull its troops out of Bosnia.

Moslem forces pushed for-

ward against their Croat adversaries in the town of Vitez as British UN troops braved the fighting to rescue civilians.

The clashes heighten the prospects for all-out military intervention by Croatia, after warnings last week by Mr Tudjman and senior Croat officials that Zagreb would intervene if the Moslems did not halt their offensive in the Lasva valley, in central Bosnia.

A British officer in Vitez yesterday said the Moslems appeared to have launched a surprise pre-dawn attack. At least four people were killed, including three children, and more than 30 injured in the fighting, according to local officials. As the fighting flared,

British forces in armoured personnel carriers helped evacuate civilians from surrounding villages.

Meanwhile, spurning western threats to launch air strikes against Serb forces attacking Sarajevo, Bosnian Serb leader Radovan Karadzic reiterated his aim to create a Greater Serbia.

"Our goal is to unite with Serbia, we cannot hide that. This is our right," he told an assembly session marking the second anniversary of the declaration of his self-styled Serb state. The meeting was held in Pale, the mountain stronghold less than 10 miles east of the besieged Bosnian capital.

Editorial Comment, Page 13

Ciampi's fate in the hands of parliament

No-confidence debate will prove decisive, writes Haig Simonian

For experienced watchers of Italian politics, the coalition government's closing weeks show all the signs of Roman politics at their most retrospective.

Rather than mirroring the mood of change supposedly sweeping the country, the talk held last week by Mr Carlo Azeglio Ciampi, the prime minister, and party leaders ahead of Wednesday's crucial no-confidence vote were more reminiscent of the sort of back-room dealing which has been a hallmark of Italian politics since the second world war.

But whatever the political manoeuvring before the parliamentary motion, the debate itself is expected to prove decisive for Mr Ciampi's future and the timing of new general elections.

Although the prime minister has been shyingly about his tactics, President Oscar Luigi Scalfaro, with whom Mr Ciampi has co-operated closely, is widely expected to dissolve parliament immediately after the debate, irrespective of its outcome.

In early December, most Italians had expected President Scalfaro to announce the election date in his year-end address. Almost two years of political corruption investigations have cut a swathe through the political establishment and mid-March appeared most likely.

Shortly before the address, however, Mr Marco Pannella, leader of the small Radical party, persuaded many deputies to table a no-confidence motion. In the circumstances, Mr Scalfaro, a firm believer in parliamentary rights, decided to delay an announcement until the legislature had expressed itself on the Ciampi government.

The Christmas break and Mr Ciampi's commitments at this week's Nato summit in Brussels have postponed the debate until Wednesday. In the interim, the prime minister has sounded out party leaders on the timing of elections.

Party attitude to the polls fall into three camps. The clearest is that of the Democratic Party of the Left, the Northern League and the neo-fascist MSI. All three, though eight years apart ideologically, expect to perform well and therefore want an early vote.

By contrast, a large number of deputies, predominantly from the coalition of Christian Democrats, Socialists and two smaller parties which technically support Mr Ciampi, want it put off for as long as possible.

Their motive is self-interest. Dozens of deputies caught up in the corruption scandals have managed to avoid interrogation – and possible incarceration – thanks to their parliamentary immunity. Should they lose their seats, their immediate prospects are not rosy.

The third camp also comprises members of the four-party coalition. They, too, would like polling postponed, ideally to June, when they could be combined with European parliamentary elections.

However, their motives are substantially different from those of their colleagues fearing prosecution. Headed by Mr Mino Martinazzoli, the Christian Democrat leader, the third group sees postponement as offering an opportunity to regroup the battered centre of Italian politics.

President Francois Mitterrand's DCS, traditionally an umbrella party bringing together widely differ-

ent schools of thought, are most exposed. Once Italy's biggest grouping, the party is set to suffer badly at the ballot box.

Some right-wing members have already defected to Mr Mario Segni, the popular former Christian Democrat, whose popular referendum movement has been the catalyst for many of the most important political reforms of the past two years.

The Christian Democrats are also fraying on the left. Deputies from the Veneto region have called for the immediate creation of a party to replace its discredited forerunner. Last week another splinter group, dubbed the "neo-centrists", attacked Mr Martinazzoli's



Prime minister Ciampi (above) has co-operated closely with President Scalfaro (top)

leadership with calls for deeper reforms.

The pressures within the Christian Democrats have been clearly communicated to President Scalfaro, himself a former DC minister, and Mr Ciampi, whose coalition is largely based on the party's support.

So far, both men have resisted the pressures. Mr Ciampi is a former central bank governor who has made much of his current role as leader of an "institutional" government of technocrats largely independent from party politics.

Mr Scalfaro, who is required to put aside his former political allegiances as head of state, has shown admirable impartiality.

The latest twist in the political corruption scandal, with the extradition last week from Monaco of Mr Maurizio Broccoletti, has raised the pressures further on both men. Mr Broccoletti, a top secret service administrator, has made explosive claims about payments to senior politicians and an alleged state cover-up.

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Bribery claims shake Belgian coalition party

By Andrew Hill in Brussels

Belgium was shaken this weekend by publication of leaked allegations of bribery and corruption at the heart of the country's French-speaking Socialist party, one of four members of the fragile governing coalition.

Mrs Véronique Ancia, an investigating magistrate from Liège, wants to question three Socialist ministers about claims that money was promised to the party in relation to a 1988 contract for military helicopters awarded to Agusta, the Italian aircraft manufacturer.

Members of the national parliament, and the assemblies of the country's Walloon region and French-speaking community, will this week consider whether to agree to her request that the ministers' parliamentary immunity be lifted.

But the formal procedures may be disrupted by the wholesale leaking of the secret report justifying Mrs Ancia's request.

The report was widely quoted by Flemish radio last week and published in full by certain Belgian newspapers on Saturday.

"What is at stake in this affair is too important... for the truth never to see the light of day," the francophone daily *La Libre Belgique* argued in an editorial.

As published, the report alleges that vital documents were doctored to favour the Agusta bid over French and German competition. It concludes that "the way in which the contract was granted was

tainted with illegal acts... and forgery".

Mrs Ancia's inquiry has been based on interviews with sources including Mr Philippe Moureaux, another senior member of the French-speaking Socialist party, ministerial advisers, and senior army officers.

All three Socialist ministers – Mr Guy Coëme, Belgian deputy prime minister, Mr Guy Spitaels, minister-president of Wallonia, and Mr Guy Matheo, Walloon minister of internal affairs – again denied last week that they were involved in any wrongdoing.

Critics of the way in which the inquiry has been handled now say two key principles of Belgian law – the secrecy of legal investigations and the presumption of innocence – have been broken.

Mr Matheo claimed yesterday that he was being subjected to the "justice of the street", with no right of defence.

Public discussion of the scandal has also raised fears of a split in the francophone Socialist party, a rekindling of animosity between French-speaking Wallonia and Dutch-speaking Flanders, and even the disintegration of the government itself.

The Volksunie, a moderate Flemish nationalist party, certain young French-speaking Christian Democrats, and most of the Flemish press have already called for the resignation of Mr Coëme, who was defence minister at the time of the Agusta deal.

Agusta itself has always denied any connection with illegal financial dealings.

Minority fights Slovakia plan

By Patrick Blum in Komarno

More than 3,000 elected officials from Slovakia's Hungarian minority agreed at the weekend on a plan designed to protect and expand ethnic Hungarian rights in Slovakia.

However, they pulled back from possible confrontation with the government by dropping demands for an autonomous Hungarian province within its own parliament.

There are about 600,000 ethnic Hungarians, representing 12 per cent of the population, in Slovakia.

Local representatives who

met in a packed sports' hall in the southern Slovak city of Komarno on Saturday, agreed to campaign for the establishment of a single administrative district comprising either one or three regions that would guarantee "basic freedoms and human rights" for ethnic Hungarians.

These proposals counter government plans included in a broader administrative reform that would divide the areas inhabited by ethnic Hungarians along north-south axes, which would dilute Hungarian representation at local and national level.

The mud destroyed eight

Senior Kohl aide calls for change in tough export guidelines

Bonn urged to ease arms rules

By Ariane Genillard in Bonn

Mr Friedrich Bohl, a senior aide to Chancellor Helmut Kohl, yesterday called for a revision of Germany's strict guidelines on arms exports.

Speaking on radio, Mr Bohl, minister in charge of the chancellery, defended a proposal by conservative parliamentarians last week to lower Germany's tough 1983 restrictions on weapons exports and harmonise them with less stringent standards in the European Union.

Mr Bohl said it was "fully unrealistic" to expect Germany's EU partners to raise their own arms trade restrictions.

Conservative members of parliament have recently stepped up pressure on the federal government with calls for a relaxation of the guidelines.

Members of the Bavarian Christian Social Union (CSU), a key coalition partner for Mr Kohl's Christian Democratic Union (CDU), have been particularly vocal in an effort to

help the local arms industry, which faces large job-losses because of the recession and federal defence cuts.

Mr Karl Lammers, foreign affairs spokesman for the CDU/CSU in parliament, last week put forward a proposal for more liberal guidelines to allow cross-border co-operation in the defence industry.

The idea has received strong support from the powerful BDI industry federation.

"The threatened exit of German companies from the field of defence technology must be prevented. This would have drastic consequences for our competitiveness, our security and foreign policy and the capacity of our army," said a

BDI statement. German businesses complain that Germany's tough restrictions are giving an unfair advantage to competitors.

The parliamentary proposal has also been backed by Mr Wolfgang Schäuble, parliamentary leader of the CDU and one of the most influential advisers to Mr Kohl. However, Mr Kohl and his ministers are unlikely to be willing to open up such a sensitive public issue in an election year.

German restrictions on the sales of armaments abroad have been tightened in the last decade after it was found that German defence equipment was used in Libya and Iraq.



Associated Press

French rescuers seek flood victims

Rescue workers yesterday

struggled to reach four people feared crushed in their homes when an avalanche of mud devastated the French Alpine village of La Salle-en-Beaumont.

The landslide, over 600 yards long and 300 yards wide, started when a rain-swollen canal overflowed in the mountains above the village, pouring water on to a precipice already soaked by weeks of rain.

Surging waters broke through a string of dams in the southern Camargue region at the mouth of the Rhône on Saturday.

One of the men believed

killed had been warned by telephone of the mudslide but decided to stay in his house.

The landslide was the worst

ince relentless rains began in France last month, causing at least five confirmed deaths, flooding thousands of acres and forcing thousands to flee their homes.

Surging waters broke

through a vast region which was devastated by floods in October.

Access to the southern city of Arles was cut off early on Sunday because of floodwaters.

President François Mitterrand on Saturday toured flooded streets in the southwestern town of Saintes by boat. More than 500 houses in Saintes and the surrounding region had to be evacuated.

The mudslide has caused

Wibble sees signs of life in ailing Swedish economy

Figures are starting to add up for tough-minded finance minister, writes Hugh Carnegy

Mrs Anne Wibble, Sweden's finance minister, is a plain-spoken politician who has pulled few policy punches as she has battled her way through two years of economic crisis. With a deficit still of towering proportions, she has little room to offer relief when she announces her 1994-95 budget today.

But the dour Wibble demeanour of the past is likely to give way to a more upbeat message. As a general election looms in September and with the economy at last showing signs of revival, the right-centre coalition is anxious to show that its market-oriented medicine is beginning to work a cure on the deepest recession Sweden has suffered since before the second world war.

NEWS: INTERNATIONAL

US in BCCI deal with Abu Dhabi

By George Graham

The US has reached a deal with Abu Dhabi that settles some of the counterclaims on the assets of the collapsed Bank of Credit and Commerce International and gives US prosecutors access for the first time to a key BCCI executive.

Representatives of the US Justice Department, the New York district attorney and the Federal Reserve Board, as well as trustees for First American, the US bank illegally controlled by BCCI, agreed to drop a civil lawsuit against Sheikh Zayed bin Sultan, the ruler of Abu Dhabi and BCCI's major shareholder.

They also agreed not to pursue any criminal charges against Sheikh Zayed.

The charges have provoked a diplomatic controversy, with Sheikh Zayed claiming sovereign immunity.

In exchange, Abu Dhabi agreed to give up claims on \$400m (£227m) lent to the money-losing First American, and its 23 per cent stake in the Washington-area bank, and to make available to US prosecutors Mr Suleiman Naqvi, the second-ranking manager of BCCI, who has been under house arrest pending charges in the Gulf emirate.

According to a report in the Washington Post, the \$400m recovered under the deal will be split between the US government and BCCI depositors, with some of the money used

to provide severance pay to First American employees and some to pay for the continuing civil law suits brought by First American's trustees against other defendants.

The Justice Department refused to comment on the details of the settlement, but Mr Philip Heymann, deputy attorney-general, called it a "remarkable agreement in terms of what we have succeeded in getting".

US and New York prosecutors have failed ignominiously in their efforts to pursue the fallout from BCCI's failure in 1981. Mr Robert Altman, a Washington lawyer who was accused of serving as a cat's paw for BCCI in its takeover of First American, was acquitted by a New York jury on charges of bank fraud, and similar charges against Mr Clark Clifford, the former US defence secretary and Mr Altman's partner, were dropped.

Prosecutors have claimed that their inability to question Mr Naqvi, the top assistant to BCCI's founder, Mr Agha Hasam Abedi, has impeded their efforts.

• The United Arab Emirates has issued a formal summons to bring Mr Abedi to trial for his alleged role in the bank's failure. Reuter reports from Abu Dhabi Mr Abedi, 71 and in ill health, is believed to be living in Karachi. He and 12 other former executives of the bank he founded in 1972 face charges and civil suits worth up to \$10.2bn in Abu Dhabi.

Mexico City hit by four bombs as uprising spreads

By Damian Fraser

Four bombs exploded in Mexico City over the weekend, and a hand grenade was tossed at a government building in the Pacific resort of Acapulco, in further signs of an extension of last week's uprising in the southern state of Chiapas.

A group claiming to represent a previously active urban subversive movement, known by its Spanish initials Procup-PDLP, told news agencies it was responsible for three of the attacks. A man claiming to represent the movement told the Italian wire service Ansa that it was acting in "solidarity" with the self-described Zapatista Army of National Liberation which led the new year uprising in the southern state of Chiapas.

The Mexican government has linked the Zapatistas with Procup, and said it has found its propaganda in the Zapatista camps. Another caller, claiming to represent the Zapatistas, claimed responsibility for the first of the bombs.

There were no deaths or injuries reported, and Procup, as is its custom, appears to have chosen its targets to cause material damage. The first car bomb, early on Saturday morning, destroyed a car park and damaged nearby shops. Another bomb exploded near a military base in the dis-

Trade negotiators face hectic three months

Structure of the World Trade Organisation must be agreed, writes Frances Williams

Although the Uruguay Round of global trade talks formally ended on December 15, trade negotiators returning to Geneva this week after the Christmas break have a busy agenda in store.

In the next three months they must decide on the structure, membership and work programme of the World Trade Organisation, the body which will police fair trade rules and implement the results of the Round. Recommendations will be put to ministers when they meet in Marrakesh on April 12-15 to sign the Uruguay Round accords.

It is already accepted that

work on the link between trade and the environment will feature strongly in the work programme. But the nature of that work has yet to be agreed and big differences remain between rich nations and poorer countries who fear environmental concerns will be used as a pretext for trade protection.

Other issues jostling for the WTO's attention, such as competition policy, worker rights and currency movements, are also likely to be contentious.

Ministers will also be asked to approve transitional institutional arrangements for transforming the General Agreement on Tariffs and Trade into the WTO, which will come into effect with the rest of the Uruguay Round by July 1995.

These arrangements, which are likely to include the setting up of an interim committee for the WTO, will mean more staff and money, but Gatt officials insist extra demands will be modest.

Countries have until February 15, when all draft final tariff schedules must be in, to negotiate improved offers. But

they cannot withdraw concessions already made unless trading partners fail to deliver their part of the bargain.

Meanwhile, the Gatt secretariat has until the end of March to check the tariff and services schedules for consistency, and tidy up the Uruguay Round texts ready for endorsement in Marrakesh.

Trade negotiations must also try to reach agreement in several areas where they failed to meet the December deadline.

The most pressing is completion

of talks on a Multilateral Steel Agreement, which the US would like to tie up before April. A renewed attempt to agree a revised Gatt code on subsidies for civil aircraft is planned to conclude by the end of this year.

Talks on liberalising trade in

four key services sectors will

also continue this year. Negotiations on financial services

will kick off later this month

when the US and Japan hold talks under their bilateral

negotiating framework.

Negotiations on labour services, shipping and basic telecommunications are due to start within a month of the Marrakesh meeting. Talks on financial and labour services must conclude in 1995 but those on shipping and telecommunications will run into 1996.

Finally, just to ensure that trade officials are not left twiddling their thumbs, a new set of negotiations is already programmed for the start of the WTO in 1996. To take just one example, the Uruguay Round

commits countries to initiate work on common standards for professional services, beginning with accountancy.

Scandal strikes at pinnacle of Brazil's national life

By Angus Foster in São Paulo

As if Brazil did not have enough trouble sorting out its huge economic and political problems, scandal last week hit the pinnacle of national life when Rio de Janeiro's football federation fell to pieces.

Three of the city's most famous teams, Flamengo, Fluminense and Botafogo - names which recall as many past glories as Europe's Liverpool or AC Milan - quit the Rio federation and announced plans to set

up a rival championship. "It's too late now, we can't go back," announced Botafogo's president, Mr Carlos Monteiro.

There had been rumblings of discontent from several club presidents for many months as allegations of corruption and mismanagement swirled around the Rio game. But the crisis hit in mid-December when the Rio-based newspaper, O Globo, published allegations from three referees that the Rio federation was planning to fix matches in this year's state

championship, one of the most prestigious annual competitions.

According to the referees, who repeated their allegations in hearings this week, officials from the Rio federation told a meeting of about 70 referees early in December that some results should be decided "in line with" the federation's wishes. They were told of a special "Rule 18," even though the rule book only contains 17 orders, which calls for referees to act in the federation's interests.

Claiming the Rio championship

was no longer credible, the three clubs announced plans to split. They have now started talking about inviting leading teams from the states of Minas Gerais and Espírito Santo to start an "Eastern League".

All of this has left the Rio federation facing the prospect of farcical state championships in which only one of its four main teams is still involved. The federation's leaders are also being investigated by the state sports body and even the Rio legislature.

Mr Eduardo Viana, federation president, has spent the last week dashing around Rio trying to avoid the press and has refused any comment. Described even by his advisers as a "poor communicator," he was quoted recently as saying: "I hate public opinion. The people could all be shot with machine-guns for all I care."

Optimists among Rio's football fans say the current problems could lead to a long overdue professionalisation of the game, which is rife with cronyism.



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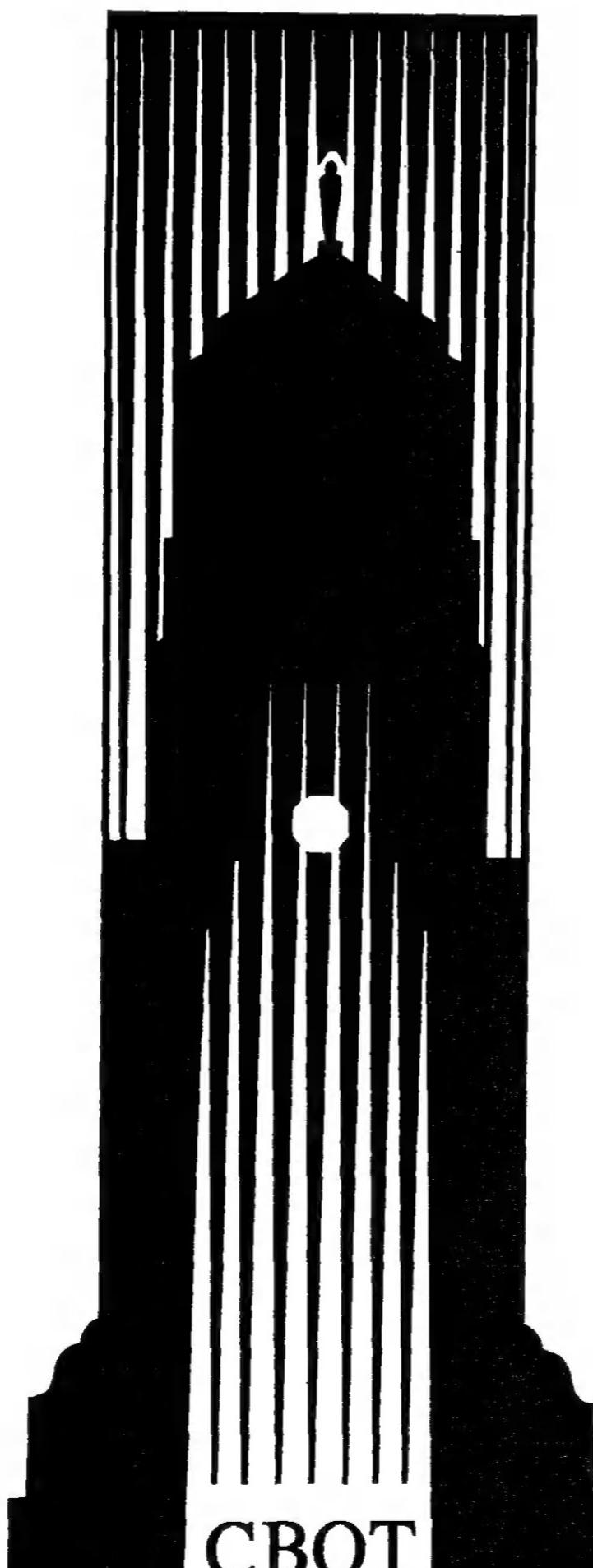
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THE WORLD'S LEADING FUTURES EXCHANGE

Sinn Féin toughens stance over Ulster

By Kevin Brown,
Political Correspondent

The prospects for peace in Northern Ireland appeared to be receding yesterday after Sinn Féin toughened its terms and Mr John Major, prime minister, again refused republican demands for "clarification".

In a toughly worded interview Mr Gerry Adams, Sinn Féin president, ruled out a unionist veto on constitutional change, and demanded British action to "persuade" unionists to accept Irish unity.

Mr Adams told the Observer that

"the unionists will not move, and we cannot expect them to move, until the British persuade them to. They have no right of a veto over any policy."

His comments suggest a hardening of the Sinn Féin response to the Anglo-Irish joint declaration on Northern Ireland, which gives the unionists an explicit veto on constitutional change.

However, Mr Adams also acknowledged that a united Ireland could not be achieved without the participation of the unionist majority in Northern Ireland. "We can't move without them," he said.

In a separate statement issued in Belfast, Mr Adams repeated demands for "clarification" of the joint declaration, which offers Sinn Féin a place at the negotiating table within three months of a permanent IRA ceasefire.

The statement said Mr Major's refusal to clarify the declaration was "an abdication of his responsibilities and a clear indication that he has no real commitment to building the peace process".

It said Sinn Féin was prepared to "assist" Mr Major to bring about peace. "The sooner he stops play-acting and stringing this out, the sooner

we can all move towards an end to conflict and towards a new beginning."

Downing Street said a letter setting out Sinn Féin's request for clarification had not been received. But Mr Major made clear that no clarification of the agreement would be offered.

Mr Major told Sir David Frost on BBC television that he was prepared to wait "for a little while" for a definitive republican response to the joint declaration. But he said the government would not be "drawn into negotiations by the back door" by responding to questions from Sinn Féin in

advance of a permanent IRA ceasefire.

"What at present is going on is that they are seeking to muddy [the] issue, to enter into negotiations effectively without giving up violence," he said.

Mr Major said the three-stranded talks process between London, Dublin and Belfast, which began in 1992, would be intensified whatever Sinn Féin's response to the joint declaration.

Mr Major is expected to meet Mr John Hume, leader of the moderate nationalist SDLP, although no date has yet been set.

Britain in brief



Public sector pay 'to rise' despite freeze

ery would be sooner if Oman's initiative persuaded Opec to bring forward its scheduled March 25 meeting to early next month.

Holiday price war continues

The holiday price war among UK travel agents enters its third week today in spite of industry expectations that it would end last Saturday.

The two largest chains say they intend to continue offering discounts of 11 per cent. Lunn Poly, the largest retail chain, said the 11 per cent discounts would apply to all summer 1994 holidays. The chain would also offer reductions of up to £200 on winter holidays. Going Places, the second largest chain, said it would match Lunn Poly's discounts.

Boost for property market

The scale of the recovery in the commercial property market was underlined yesterday by figures showing returns from property of 18.6 per cent in 1993. Capital values grew by an average of 10.2 per cent.

These estimates, by Richard Ellis, a firm of chartered surveyors, reveal a sharp improvement on the previous year when commercial property made negative returns of 2.1 per cent. The office sector made the greatest improvement, moving from a 1992 return of 4.4 per cent to just under 20 per cent.

Floods 'could cost £100m'

The damage resulting from flooding across southern England could cost up to £100m, a firm of loss assessors said yesterday as the south and other areas prepared for rain throughout the week.

Mr Justin Balcombe, of loss assessors Balcombe Group, said the total cost of the flood damage greatly exceeded the costs covered by insurance. The Association of British Insurers has estimated claims at between £20m and £60m.

Consumer and business credit figures advance

By Daniel Green

UK consumer and business credit leapt ahead in November in spite of the uncertainty generated by the Budget, figures from two credit monitoring organisations indicate today.

Yet the rise may not feed straight through to rising consumer spending because credit is increasingly being used as a substitute for cash, warns one of them, the Finance and Leasing Association.

Total consumer credit in November increased by 36 per cent to £1.7bn compared with the corresponding month a year previously, says the association, the industry's main trade body.

The jump is the highest since the recession began and an increase of 8 per cent on October. Total business credit rose by 25 per cent on November 1992 to £911m.

In the three months to November, consumer credit rose by 30 per cent and business credit by 28 per cent compared with the same period a year earlier.

Within the total consumer figure, the sharpest rise was seen in the motor sector,

reflecting a rise in car sales from the depressed levels of 1992.

Credit to consumers buying new cars through dealers in November rose 66 per cent to £233m, compared with the same month in 1992. For used cars the rise was 29 per cent. Both figures were slightly lower than for October.

Business finance for cars gained 69 per cent to £458m in November compared with the corresponding month in 1992, although this was a 14 per cent decline on the month before.

In consumer goods, the figures suggest a sharp rise in buying of expensive items such as refrigerators and televisions. Store instalment credit rose 40 per cent to £106m, a much sharper rise than for store cards used for both cheap and expensive goods where the gain was 15 per cent to £32m.

The rising value of items bought is also reflected in figures from Infolink, the organisation which measures the number of credit inquiries rather than the total amount borrowed. Credit inquiries by whole families, board games and puzzles came third at £174,000, or 9.3 per cent.

"Board games have come back very rapidly in 1993," Mr Graham Scott, who organises the Harrogate Fair for the industry, said yesterday. "They lost out for while, but video games cannot be played by whole families. Board games can - and appear to have done well this Christmas."

Dolls and their accessories continue to hold a strong

fourth place with near-50 per cent rise in sales over two years. A rapidly developing segment, however, is "plush", a cheap, synthetic fur which is enabling teddy bears and other cuddly toys to get bigger and bigger.

Plush product sales are growing thanks to cheap labour in China, where high-quality, mass-produced plush from Taiwan or South Korea is being turned into teddies by the million. Prices of plush bears range from £1.99 to £20.

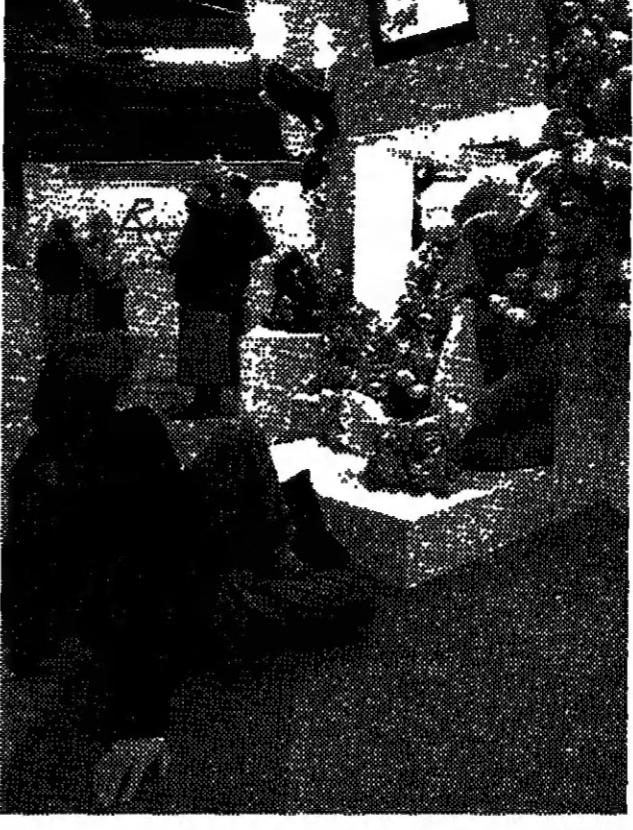
"It means you can now have ranges of bears, with limited editions and a wide choice of options on size to make them more collectible," Mr Les Vargason, managing director of Agents Marketing of Market Harborough, said.

He is the UK agent for Althans, which although based near Coburg in Germany, has more than 500 employed in Hong Kong and China. It is now one of Europe's leading specialists in Asian-made Plüscherfabrik bears.

The Harrogate fair - which finishes on Wednesday - kicks off 1994's worldwide toy industry round of trade shows. It usually attracts about 8,000 potential buyers, importers and exporters.

London, at the end of this month, followed rapidly by Nuremberg, Paris, Milan, Valencia, Montreal and New York, will decide what happens next Christmas, when 70 per cent of toys are bought.

Video games still score in toy war



Traditional toys and cartoon figurines side by side at the Harrogate show

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The project is being funded by the Government of the Republic of Trinidad and Tobago, the Inter-American Development Bank (IDB), the European Investment Bank (EIB), the Export-Import Bank of Japan (EXIMB) and the Commonwealth Development Corporation (CDC). The funding for these works is provided by the JDR, EXIMB and CDC. TRINTOC is the executing agent for the Project. Procurement of goods and/or contracting of services covered by project financing shall be subject to provisions of the loan contracts with the Banks.

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iv) Construction of power distribution facilities.

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Pointe-a-Pierre

Republic of Trinidad and Tobago

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Attention: Mr. R. Marshall

Telephone No. (080) 656-3297

Fax No. (080) 656-1315

CLOSING DATE

Completed Prequalification Proposals must be submitted no later than 11.45 a.m. local time on 1994 March 08.

TRINTOC will not defray the costs incurred by any company submitting its application and shall not discuss or divulge any details of the selection process to applicants.

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The Robeco Group announces that, with effect from the financial year 1994, the management costs of the investment companies listed below will be charged as a fixed percentage of average net assets.

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 Do. 10½% Red. Deb. 90/95 £2.934246
 Esportifans 10% Nts. '98 £500
 Estates & Agency 9p
 European Colour 0.35p
 Japan Air. 6.9% Bds. '01 Y690000
 Kobe Steel 6.9% Bds. '01 Y690000
 Do. FRN's '98 Y67500
 Kubota 6.9% Bds. 2000 Y690000
 Lothbury Fdg. No. 1 Class A1 Mtg. Bkd. FRN's 2031 £1715.62
 Do. Class A2 Mtg. Bkd. FRN's 2031 £1770.96
 Do. Class B Mtg. Bkd. FRN's 2031 £1992.33
 Mansfield Brewery 1.25p
 Metropolitan Est. & Prop. Int'l. NV. Gtd. FRN's '95 Y177604
 Morris (Philip) \$0.65
 Onoca Cement 7% Bds. '99 Y700000
 Pacific Gas & Elect. 12% Deb. '92/2000 \$120
 Pandemic Textile 2p
 Do. A NV 2p
 Peoples Construction Bk.
 China FRN's '98 \$205.58
 Do. FRN's 2000 \$210.69
 Policy Portfolio 1.5p
 Rolls-Royce 2p
 Scottish Value Tst. 0.95p
 Skanda Cap. AB Gtd. FRN's '95 \$931.42
 Takashimaya 5.6% Bds. '01 Y560000
 TR Property Inv. Tst. 0.4p
 Vibroplant 1.22p
 Warburg (SG) Cap. BV FRN's '06 \$187.23

TOMORROW
 Diploma 8.5p
 European Motor 1.725p
 Flud Corp. \$0.13
 Henderson Admin. 12.5p
 Leo 1 Class B Mtg. Bkd.
 FRN's '95 £2147.26
 MMT Computing 2.75p
 VTech Hdgds. (London Reg.) \$0.01
 Do. (Bermuda Reg.) \$0.01
 Wellcome 12.5p

WEDNESDAY
 JANUARY 12
 Caisse Francaise de Devl. 12½% Gtd. Ln. '13 £306.25
 Clyde Blowers 8p
 Collateralised Mort. Secs. No. 11 Class B Mtg. Bkd. FRN's '98 £196.92
 Do. Class A2 Mtg. Bkd. FRN's 2031 £1770.96
 Do. Class B Mtg. Bkd. FRN's 2031 £1992.33
 Mansfield Brewery 1.25p
 Metropolitan Est. & Prop. Int'l. NV. Gtd. FRN's '95 Y177604
 Morris (Philip) \$0.65
 Onoca Cement 7% Bds. '99 Y700000
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 Pandemic Textile 2p
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 Warburg (SG) Cap. BV FRN's '06 \$187.23

THURSDAY
 JANUARY 13
 Bradford & Bingley Bldg. Soc. FRN's '97 £150.1
 Do. FRN's '98 £151.23
 Commonwealth Bt. Australia Und. Rmb. 9.8% Ln. '98 £186.56
 Glaxo (M) 9.4p
 Highland Distilleries 5p
 Hongkong & Shanghai Bkg. Prim. Cap. Und. FRN's \$44.72

MANAGEMENT

TIPS FROM THE TOP

Put the gender issue on the agenda

Steve Shirley, life-president of the F.I. Group, on how to get more women into senior positions

Le's suppose that one of your resolutions for 1994 is to get more women into senior management, perhaps even onto the board. What do you have to do this Monday morning?

With women forming more than half the working population, it certainly seems strange that so few of us get through the glass ceiling to serve at a corporate level. It should be no surprise if shareholders start asking questions at the AGM.

The point is, however, that it is quality not quantity that counts: pressure to play the numbers game does not help. Making promotions and new appointments is tough enough without someone saying you should appoint a black or someone with disabilities or, heaven forbid, a woman.

Yet some positive discrimination may be necessary, if for no other reason than to create the right corporate culture. My experience is that once you alter the culture, there is no looking back.

Women have seen welcome changes in the fields of marketing and advertising, and more recently, in the old, hidebound professions of law and accountancy. But we also need such a quantum leap in industry.

Top women now aged over 50 can be termed pioneers. We were the first of the few rising to uncharted territory. Career opportunities 30 years ago were so narrow that we had to take any significant opportunity that arose. The same is true today. I receive more corporate invitations than my business performance alone would warrant. They have an element of tokenism.

No matter – provided it is clearly understood that I am not going to sit quietly, giggling at the occasional joke whether or not I understand it. I expect to be judged by the same innumerable criteria as my male colleagues: do I enable my group or organisation to achieve its task? Nowadays that is less by command and control, more by building teamwork and empowering individuals.

There are undoubtedly business



Some positive discrimination may be necessary, if for no other reason than to create the right corporate culture

benefits in having a work environment that is more encouraging to women. So, in the absence of quotas, what can be done to increase the quality and quantity of women's participation?

First, companies should consider introducing general management training specifically for women. I'm also a great believer in senior managers, of either sex, mentoring more junior female colleagues. Then, there is "career pathing" as a system of stepped experience towards career goals.

Like men, women have to face the issue of whether they are prepared to pay the price of a vigorous career. Success is not an easy option. It requires sacrifices and also provides excitement and a sense of fulfillment.

Funnily enough, I also believe that God is in the detail. We have to get job advertisements and application forms worded so that women who have been through career breaks to have children or to follow a husband's job move, do not feel they have to break into an alien world of steady progression and unbroken continuity.

If you want to get a woman on your board as a non-executive, think of the characteristics you want in any director. Then if there is a shortage in your industry

extend your search to professions where women have hit the top.

Perceptions are vitally important. I shall always remember rejecting a candidate's application on the grounds of her insufficient experience. Then a headhunter so extolled her entrepreneurial qualities and trained intellect that a meeting was arranged. She went on to serve on our board for more than two terms.

On the subject of positive discrimination, there is Opportunity 2000's idea of percentages agreed with business unit heads so as to target, say, 30 per cent of all department heads or unit leaders to women. Once the middle management posts are filled, there will be competencies enough for the top posts later. The main reason people give me for not appointing women to their boards is that there are no women around. By this they usually mean visible at the level below the board.

The process of managing change is an enormous challenge. But it is not always necessary to guess. Ask the women in your organisation what they think will help them fulfil their aspirations.

Next Monday: Percy Barnevik of ABB on how to build a multinational team

By Steve Shirley, life-president of the F.I. Group

Photo: PA

Clive Mason spends more than £6m a day every day of the year. Stuart Humby signs off a similar amount. Peter Garnett daily waves goodbye to the best part of £1m. Drawn from the highest ranks of the UK's 120,000-strong army of purchasing and supply managers who annually write £750bn worth of cheques between them, they are among the biggest of big spenders.

If people like them spend wisely, they can help boost both their companies' short-term profitability and their long-term competitiveness.

Mason, director of purchasing and supply for British Airways, heads a worldwide team which buys everything from jet fuel to champagne. Humby, director of group purchasing for National Westminster Bank, buys cars by the dozen for the bank's 11,500-strong fleet. Garnett is managing director of Greenalls Services, the company formed specifically to buy in everything from beer mats to beds for the shops, pubs and hotels within the Greenalls group.

The benefits of professional procurement can be enjoyed by companies of all sizes. The recently-formed purchasing team at Banker Trust, the international investment bank, reckons it has saved the business £12m in three years; Alcoa Flaregas, a Middlesex-based combustion equipment maker with annual turnover of £20m, says that improved buying procedures are saving it a useful £15,000 a month.

Companies spend an average 55 per cent of total production costs on buying in goods and, increasingly, on a range of support services. But despite a growing awareness of the value of a strategic approach to the purchasing and supply function – now invariably dubbed "logistics" – the impression remains that most British companies still fail to take the issue seriously enough.

The result, according to the Chartered Institute of Purchasing and Supply, means unenlightened busi-

"Most companies are still in the stone age as far as . . . the purchase and supply chain is concerned"

nesses could be spending up to one-third more than necessary and ultimately risking their own future.

It also means that those charged with the purchasing role have been regarded as bit-players in the corporate management game, barely paid when compared to finance or marketing personnel and rarely promoted into general management.

Mason, Humby and Garnett all agree that part of the answer lies in ending the compartmentalised nature of a job in which barriers are too often placed between those who sign the bills and those with purchasing expertise. Instead, they advocate a broader, strategic

Purchasing and supply are still not getting the attention they deserve.

Michael Cassell investigates

Lament of the big spenders

Purchasing power

Annual amounts spent by some large organisations

Private sector	Public sector
British Telecom	£4.5bn British Rail
British Airways	£22bn Inc. General government expenditure
Ford	£350m £1.5bn
NatWest	£22m NHS Scotland
Rover	£22m Central government (exc defence and construction)
	Universities

biggest challenges is "getting people to shift thinking from price to cost. When you start considering whole-life costs instead of concentrating on knocking a few pounds off the initial deal, you are making progress. When we buy an aircraft, one of the elements built in is what we can sell it for 15 years later."

He adds: "In the mid-1980s, we had 10,000 significant suppliers in the world – now the figure is down to 3,500 and still falling. There is a different focus. People used to chase new suppliers to extract better prices but now the focus is on what we can deliver what we really need."

Humby refers to partnership sourcing – the building of a long-term relationship between supplier and customer – and suggests: "A more strategic approach to purchasing means it can be involved right at the start of the specification process so that suppliers can respond differently to meet a company's specific needs. That way you can make important step-changes to productivity."

"All too often, companies take a look at the purchasing operation and then forget it. There is a black hole in understanding. But it needs to be examined systematically, comprehensively and relentlessly," he says.

The CIPS is doing its bit to raise the profile of purchasing in the business education world, by sponsoring three university chairs and planning as many as 12 over the next five years. It is also building links with business schools in the US and the UK.

Mason says that, despite the disappointing attitude towards purchasing and supply, business is at least starting to catch on. British Airways this year had more than 1,000 applications for six graduate places in its purchasing group.

Greenall says: "The function has not been seen as a route to the top – but that is going to change. To be effective in this area you need a breadth of business understanding which crosses all areas of the company. It will become a new breeding

"The function has not been seen as a route to the top – but that is going to change"

ground for successful executives."

Meanwhile, the CIPS prefers to keep its feet on the ground. "Our survey findings are truly astonishing because of the sheer ineptitude, the sheer lack of business acumen they reveal," says Peter Thomson. "Not to know how much is spent and how much can be saved says very little for the businessmen concerned."

BUSINESS TRAVEL

FT writers explain the rights of passengers who find their flights overbooked or seriously delayed

When tickets crumble to dust

Laden with your suitcase, briefcase and suit-carrier, you stagger to the airline check-in desk. All you want is to relax in your business-class seat with a glass of champagne, and a flight attendant tending to your needs.

Instead you hear: "I'm sorry, sir, the flight is overbooked. You'll have to wait." Your confirmed ticket crumbles to dust. Angry and frustrated, you wonder what will happen next.

Most airlines in large business destinations try to soothe you with cash, meal vouchers and free telephone calls to your destination. They have to do this under European Union or US rules, which set out minimum, and in the US case, maximum cash compensation for "bumped" passengers.

In the EU, a flight of up to 3,500km (mainly within Europe and north Africa) compensation should be at least Ecu75.

(Ecu50) where the airline offers an alternative flight arriving within two hours of the original time, and Ecu150 for flights arriving over two hours later.

On longer flights, Ecu150 should be paid for flights arriving within four hours of the original time, and Ecu300 where the delay is more than four hours.

In the US, the figures are "an amount equal to the one-way fare up to a maximum of \$200" for delays of between one and two hours (two and four hours for international flights) and twice the fare up to \$400 if the delay is longer.

The US Department of Transportation points out that "you always get to keep your original ticket, and you can use it on another flight or have it refunded. . . . compensation is essentially a payment for your inconvenience."

Many airlines prefer to offer flight vouchers instead of cash

as compensation. Vouchers give discounts on flights, generally of \$300-\$500, but you should ensure that they can be used on discounted, as well as full-fare, tickets. You can insist on a cash payment.

Some airlines, especially those in the US, operate auctions, in which they offer progressively higher amounts of compensation until the excess number of passengers has voluntarily agreed to take a later flight. United Airlines, the second biggest carrier in the US, says that this system means

Do you have a story of obstructive airlines and how to overcome them? Send details of your experience (or any other business travel tales or advice) to Michael Skapinker or Daniel Green. Fax: 071-673 3196 or 3085.

will announce its fares on Tuesday. They are likely to range between £160 and £280, depending on the season. Last week Stena Sealink simplified and cut its charges. A standard round trip for a car and five passengers will start at £126, rising to a peak of £220, with extra charges for weekend sailings. The previous peak price was £294, Stena said.

Discount time

Some US airlines cut fares by as much as 45 per cent last week. The cuts were triggered by Northwest Airlines, which reduced prices on flights in the US, Canada and the Caribbean between January 18 and April 15. American Airlines, United, US Air, TWA, Continental and Delta, all followed, but did not cut prices in all regions. Discounting among US airlines is common in January but rarely on this scale.

Peace dividend

The planned opening of the Channel Tunnel next May has sparked the expected price cuttings by ferry operators. Eurotunnel, the tunnel operator,

that only one in 30,000 passengers is bumped off a flight against his or her will.

Flights originating outside the US or EU may be less straightforward. Some carriers, such as American Airlines, Swissair and Japan Air Lines, apply US or EU rules across their entire network. Others, especially carriers from developing countries, may try to pay substantially less.

The rules do not apply to charter flights.

For all passengers, a few steps can be taken to minimise the chances of losing your seat:

- Confirm your flight, and check in on time. These are prerequisites for the US and EU compensation rules to take effect. Checking in early will reduce the risk still further.
- Travel business class, first class or on a full-fare cabin, and if you are on a full-

fare economy ticket you should be first in line to be bumped into business or first class.

Furthermore, with a first or business-class ticket, other airlines on the route will be keen to take you on their flights, because they then get the ticket revenue.

● Join frequent flyer or other privilege programmes. All the airlines contacted by the Financial Times said that holders of such cards should be less likely to be bumped.

● Kick up a fuss. Ground staff have a lot of discretion over who flies. If you have a business meeting, anniversary dinner or medical condition, tell the ground staff.

Persistence works: one terrorist FT journalist was bumped on to Concorde as ground staff strove to rid themselves of his attentions.

Daniel Green

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	Cloudy	Cloudy	Sunny	Cloudy	Cloudy
Hong Kong	Cloudy	Cloudy	Sunny	Cloudy	Cloudy
London	Cloudy	Sunny	Cloudy	Sunny	Cloudy
Frankfurt	Cloudy	Sunny	Sunny	Cloudy	Sunny
New York	Sunny	Sunny	Sunny	Sunny	Sunny
Los Angeles	Sunny	Sunny	Sunny	Sunny	Sunny
Milan	Cloudy	Cloudy	Sunny	Cloudy	Cloudy
Paris	Cloudy	Cloudy	Sunny	Cloudy	Cloudy
Zurich	Cloudy	Cloudy	Sunny	Cloudy	Cloudy

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

East. The Transport Ministry said the expansion would quadruple traffic at the airport.

Tourist safety

The US travel industry, hard hit by public reaction to crimes against foreign tourists, last week launched a campaign to promote the safety of travel to the US. It will involve more information for travellers and lobbying for stricter gun control laws.

Fatal overload

Investigators probing last week's crash of a Russian air-line with the loss of 121 people said a overloaded engine faults were the likely causes.

It is a struggle to crawl out of bed at 6am in the dead of winter, but that is the price one pays for being a north Londoner with a flight leaving Heathrow at 9.30.

The Northern and Piccadilly Underground lines delivered me to Terminal 1 at 8.30am on December 28. There I was greeted by a notice saying that my Cyprus Airways flight to Larnaca had been delayed until 6 that evening because of a 24-hour strike by Cypriot civil servants.

What rights do you have if your flight is delayed? Not many, as I discovered. Rebecca Evans, a barrister in the legal department of the Consumers' Association, says delays are a "grey and fuzzy area". The best strategy is to scream and shout, which often results in offers of compensation.

Cyprus Airways check-in is handled at Heathrow by British Airways. The BA staff were helpful, walking along the check-in queues to warn passengers for Larnaca that they should not wait, as their luggage would not be accepted before 3pm. All further inquiries were directed to the Cyprus Airways office staff.

Cyprus Airways agreed to send a fax to my hotel in Nicosia to say I would be arriving after midnight, but that was

all. All further requests for short notice, BA had already postponed a flight the night before because of the dispute.

THE MONDAY People page

'We're insiders and usurpers'

Michael Perry tells Guy de Jonquieres about Unilever's prospects after the Uruguay Round

For a group its size - its £25bn annual sales dwarf the economies of many of the 150 countries in which it does business - Unilever has long kept a remarkably low profile. As Michael Perry, co-chairman of the Anglo-Dutch food and consumer products manufacturer, puts it: "We have always believed in letting our brands do the singing."

Recently, however, Unilever has begun to raise its corporate voice. Early last month Floris Maljers, Perry's Dutch counterpart, led a group of Europe's most powerful industrialists in calling publicly on governments to cut social costs, speed up deregulation and listen more closely to industry.

Soon afterwards, Unilever saw another, more ambitious, lobbying initiative pay off when agreement was reached in the Uruguay Round trade negotiations. For months beforehand, top executives had hammered away at the importance of getting a deal - and the dire economic consequences of failure. In private, they delivered the same message to the world's politicians.

Now the deal is done, what is it for Unilever? The direct benefits look surprisingly modest. Because the group, which has plants in 80 countries, makes many products locally, few are vulnerable to trade barriers.

None the less, it expects increasingly to move products across borders and to supply worldwide from a single source so as to capture scale economies. It is also relieved to see the resolution of the long-running trade dispute over oilseeds, of which, as the leading margarine producer, it is a big purchaser.

But for Perry, the Uruguay Round is as important as a guarantee of continued free trade as for its specific provisions. Had the Round collapsed, the world trade system would probably have dissolved into regional trade blocs as wealthier economies banded together behind protectionist walls.

That, he admits, would not have all been bad news for Unilever, given its

wide international spread. "One can argue that in the short term at least, a measure of protection is not something people sniff at. It has advantages if you happen to be an insider."

The snag is that those advantages would have been bought at the expense of poorer economies, such as India and Africa, where Unilever also has big stakes. The closing of industrialised markets could have threatened economic development in China, where it is rapidly stepping up investments.

That matters a lot to Unilever, which relies increasingly for growth on fast-expanding, and highly profitable, operations outside the stagnant markets of western Europe and north America. Another big plus from the Round is that pressure is kept on developing countries to plug away at broader economic liberalisation.

Still, the process is not a one-way bet. In India, where the group's local subsidiary is the second largest publicly quoted company, liberalisation will make it easier to do business - but also for new competitors to enter the market. "So we have a foot in both camps. We're insider and usurper," Perry says.

Nor does he expect the political path ahead to be entirely smooth. "The big problem these governments face is that, if they are democracies, they have a rather sad and difficult imperative - they want to be re-elected next time round. If ripping away bureaucracy and protection leads to massive disadvantage for local interests, there is a political price attached."

That dilemma is not confined to the developing world. Perry foresees "new stresses and strains" as the European Union wrestles with declining industrial competitiveness and high labour costs, while facing growing pressure to underwrite political stability in the countries of central and eastern Europe by opening its market to their exports.

"The reality is that right next door, in east Germany, the Czech Republic and so on, there are massively lower costs

of the recent white paper on competition by Jacques Delors, president of the European Commission. But he is far less sanguine about reducing long-term unemployment, which he considers the biggest threat to the world economy.

"There is little companies can do on their own. We will generate wealth by using every ounce of innovation and technology... to make products and services. But we are able to generate a unit of wealth these days with lower labour content than we were. Therein lies the dilemma. Where that takes us, I'm not sure. But it is an area where the old, easy, answers no longer apply."

With so much on its plate, he reckons the EU needs to adjust to the impact of the Uruguay Round before it is ready to launch any further big initiatives in foreign economic policy. "We now have to let the thing settle, let the patterns become clearer. It may lead to some recoil, some back-tracking."

But any period of reflection and consolidation is likely to be kept short by the rush of events elsewhere - above all by political change and uncertainty in the former Soviet Union and China.

"The threats to stability in Europe and the world are self-evident. To that extent, the arrangements put in place in the Uruguay Round, which appeared to fit the context of economic and geopolitical structures as they were yesterday, will have to be looked at again when patterns change. I can't put it any more precisely than that."

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ARTS

The new year has started very merrily with the amusing attack on Brian Sewell, art critic of London's Evening Standard. Apparently some of his articles have caused such offence that several self-important, self-styled "members of the art world" (presumably they inhabit a different earth from the rest of us) wrote a letter which, in effect, asked for him to be silenced.

I can only suppose that some of the 35 signatures had nothing better to do in the post-Christmas lull. They accused him of being both homophobic and misogynist (I'm not quite sure where that leaves him...), ignorant and hostile when it comes to their kind of contemporary art. On top of all that they accused the poor Sewell of "class and class hypocrisy". They were just kind enough to say that he was "very occasionally... sometimes perceptive".

The fun continued when none other than the Secretary of State for Education, John Patten, wrote a letter supporting Mr Sewell. He made a very good point about the "art world" which applies to certain aspects of the professional architectural maneuvre as well as that "cultural life is only for the self-styled cultured, a narrow group alternately putting and then gently criticising in context each others' work".

Mr Patten went on to say that the letter from the 35 worthies "marks the barrenness and imploding nature of so much British intellectual and artistic life, with a few notable exceptions".

There have views expressed with knowledge in a way that provokes debate and interest. I think Mr Sewell is right about the fashionable shibboleths that dog the visual arts in this country. He is right to puncture the cloud of pretentiousness that has replaced reason and thought in much of the "art world". He is

Architecture/Colin Amery

A promising start to 1994



New year prospect: Richard McCormac's student rooms for St John's College, Oxford

also right to cry out for quality and integrity in art. He is criticised for this elitism by a group who are so envious as to be, culturally speaking, almost

seriously knowledgeable about the arts, and will undoubtedly be able to clear up the mess left by his predecessor. He also loves architecture in an intelligent and thoughtful way - he is a bridge builder who, I trust, will not underestimate public as the Arts Council and its minions have for so long.

Furthermore, I am happy to endorse what is happening in a new

architectural magazine that has been launched by London Perspectives, with the object of encouraging the kind of informed architectural debate that was raised by many of the speeches of the Prince of Wales. He is able, as an architect, critic and member of the "art world" to be able to encourage widespread about contemporary

architecture. The new magazine, which will have a live subject, has the port of the Prince of Wales of Architecture. There are many very encouraging new buildings write about in Richard McCormac's new student rooms for St John's College, Oxford, and has John come works for works of art as standard, which London badly needs.

I relish the thought of the opening of the Channel Tunnel making trips to Europe easier.

I

wish the tunnel to link the UK to the countries of former communist Eastern Europe. The future of Prague and St Petersburg depends on the spread of the work of enlightened architects, or they risk repeating all our commercial and architectural mistakes.

Rostropovich at the Barbican

At the Barbican on Saturday night, with a superlative piano partner in Ian Brown, Mstislav Rostropovich played the cello. He was in easy, magisterial form. Not least among the delights of Rostropovich's recital is firmly reminded that he is a great artist - a fact that is muddled in his appearances as a conductor - over technique may disappoint; sometimes he doesn't transmit his intentions to his orchestra clearly enough to achieve much more than an excited hubbub, all noise and confusion. When he does, the result can of course be splendid; but not always.

In the cello, however, his intentions are directly and gloriously realised. On Saturday there were two or three passages in which his pitch suddenly became peculiar (he is going to 68, after all), but they made no difference whatever. Even in the smallest pieces - a Marcello Adagio, the Rachmaninov Vocalise, a racing Humoresque by Liszt, 10 years ago, and most of all in an Ravel's Rhapsodie Espagnole - were penetrating phrasing and colour, humour and feeling. Rostropovich is one of rare players whose instrument has become a natural voice.

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In the cello, however, his intentions are directly and gloriously realised. On Saturday there were two or three passages in which his pitch suddenly became peculiar (he is going to 68, after all), but they made no difference whatever. Even in the smallest pieces - a Marcello Adagio, the Rachmaninov Vocalise, a racing Humoresque by Liszt, 10 years ago, and most of all in an Ravel's Rhapsodie Espagnole - were penetrating phrasing and colour, humour and feeling. Rostropovich is one of rare players whose instrument has become a natural voice.

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Samuel Brittan

Some common sense on US and China



During the post-war period respectable western opinion worried that living standards and slow growth of Asian, African and Latin American nations, who made up the so-called Third World, had the fashionable worry has flipped over; and it is that the best-performing of these countries will overwhelm the established industrial nations.

Some of the alarmism has fuelled by a reconnoitring piece of research, which appeared in an appendix to the May *Economic Outlook* published by the IMF. This reassessed the share of different parts of the world in global GDP. It did so by converting currencies on the basis of their estimated domestic purchasing power rather than their market exchange rates.

The result was that the established industrial nations had their share of world output in 1980 reduced from 54 per cent, and the developing countries had it raised from 38 to more than 40 per cent. The famous finding is all the trebling of China's share in world GDP from 3 to 8 per cent. New estimates have travelled by bus telegraph through the economic talking classes, where they are in vogue.

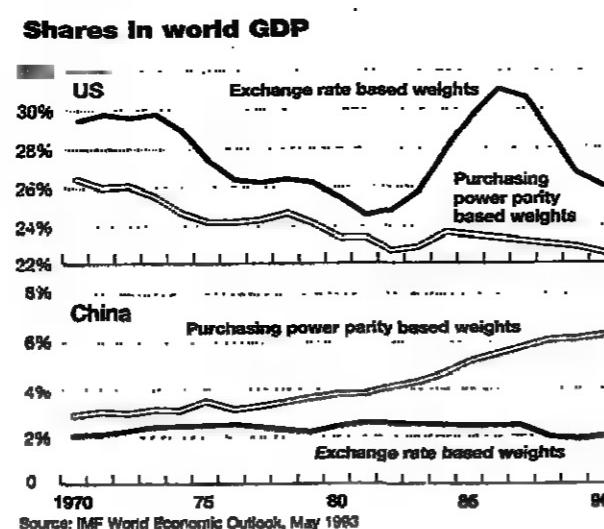
They have caused many surprise. It has long been known that GDP comparisons at market exchange rates exaggerate the poverty of many Third World countries. The Canadian economist and national income expert, Dan Usher, observed a couple of years ago in Indo-China that people had a tolerable, if basic, standard of living. Yet their pay, expressed in dollars or D-Marks, would have brought rapid starvation to anyone having to live on it in North America or western Europe.

The reason for the discrepancy is well-known. Exchange rates reflect rough equivalence of purchasing power for different products which differ in international trade. The stress is on approximation. The US economy appeared to drop from nearly 3% to barely 1% quarter of a world's total, first to overshooting then undershooting of the latter.

Third World pay, in dollars, would mean starvation for any living on it in the US

restaurant meals, shoe cleaning and other personal services in poorer countries. The new estimates had growth rates than total output.

Developing countries have been growing faster than established industrial ones since the mid-1970s. Since then developing country growth rates have averaged 5 per cent per annum, against 2 per cent in developed ones. In the ten years to 1994 the IMF expects developing coun-



ing power for nearly 1 per cent while industrial countries grow by only 1/2 per cent. Among the latter, the dear European Community is projected to grow by 1/2 per cent.

These figures incorporate additional 1 per cent to the annual growth of developing countries, a subtraction of 0.1 per cent for the developed world, as a result of the rebasing exercise. Without these corrections the developing world would still have shown a more rapid growth than the industrial west.

But the pilots and machine unions wanted me to leave and constitute a new board for the buy-out and concessions and I will do that," he said.

Ironically, Mr Wolf will leave United a much stronger airline than when he was brought in to revive the sleeping giant of US aviation at the end of 1987. Although he has won the hearts of the union leaders, he has succeeded in transforming United, once focused on the domestic market, into a powerful global carrier with probably the most extensive network in the world and \$2bn of revenues.

In 1990, United, known as the "Giant Gorilla" because of its size, its way as well as its number of passengers, run

Stephen Wolf is paying the ultimate price to secure the future of his company United Airlines, the largest US carrier.

To win up to \$5bn of wage and productivity concessions from the company's 80,000 employees to compete against the breed of low-cost US domestic airlines, Mr Wolf has agreed to step down as chairman and chief executive in June. The airline's president, John Pope, and legal counsel, Mr Larry Nagin, are also leaving.

Mr Wolf conceded the decision to go was not only unusual but unprecedented. "I am a little melancholy about leaving, but I am happy because I think the employee buy-out of the airline and the wage and productivity concessions they are making is an alternative for the company, its employees and its shareholders," he said during a visit to London last week. Just before Christmas, the United board accepted an offer by workers to take a majority stake of 51 per cent and 63 per cent in the airline.

The buy-out, the biggest in corporate history, is completed as expected by June. Mr Wolf, once reported to be the highest-paid executive in America, will probably walk away an even richer man than he already is. His three-year contract will be honoured.

His published salary was \$875,000 in 1991 and also holds considerable stock options and shares. Mr Wolf said he would be receiving an additional golden handshake and that he would prefer to continue earning his salary by actively running the airline during the next three years.

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Faced, in addition, with the worst postwar recession in the transport industry Mr Wolf had to forge ahead with a long-term capital spending programme by this year on the earlier

"At the end of 1992 we also one significant run

Grounded after a bumpy flight

Stephen Wolf, stepping down as chairman of United Airlines, speaks to Paul Betts



Stephen Wolf: "When I hand over to my successor United will be a superbly engineered company"

industry to American operating by laying off people, but it is enough and went to the union leaders to try to make a significant adjustment to overall labour costs," he explained.

United had three options. "The first is to do nothing and picks up. But it was no longer just a cyclical problem, it is structural one. We are telling them what they wanted low fares as well as safe airlines. So the outcome was no option," Mr Wolf said.

The second was to co-operate with the unions to achieve a dramatic change in working practices and benefit costs. United, he explained, was far ahead of its competitors. "British Airways' is about 10 per cent higher than ours, Lufthansa's about 80 per cent and Air France 10 per cent higher," said Mr Wolf. But the base was still much too high to compete against the low-cost carriers in the US airline market.

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laries within the company, contracting air service and aircraft operations, selling assets and laying off thousands of workers.

"That option was very difficult and confrontational: we would have faced a labour conflict to the nth degree," he said.

From the day he took over United, Mr Wolf has had to deal with particularly hostile relations, especially from its pilots. His appointment was welcomed by Wall Street because of his reputation as an expert in troubled airlines.

After learning the airline industry in America, he spent short time as head of marketing at Pan Am and president of Continental. Then, in less than two years as head of Republic, he turned the

	1987	1992
Aircraft Fleet	382	545
Average age (years)	13.8	9.8
Countries served	13	33
System ASMs (bn)	101.3	150.4
Domestic ASMs (bn)	84.2	98.8
International ASMs (bn)	15.1	53.8
% international capacity	15	36
Average daily passengers	150,685	190,879
Total employees	62,032	81,512
Operating revenue (\$)	8.38bn	12.8bn
Net earnings (\$)	335m	15m

Source: Annual reports. Domestic, International and System ASMs for full year 1987 and 1992

loss-making airline pr and paved the way for merger with Northwest, moved on to Tiger International where it pushed its business record profits before was merged with FedEx Express.

But if United's motto long been "Fly the Friendly Skies", Mr Wolf found friends in the airline. Since strike, the airline's pi have sought to take contro the company and put the man in the top slot. Mr Wolf salary when he joined - he reported earned \$60 his first year largely as a of compensation for st options left behind at T International - won him friends among the line's employees.

Bin his strategy return United to number one posit in US industry. Mr Wolf said he would continue waging aggressively to try to complete his strategic plan by stepping down in June. He just announced further eq in Pacific routes inciting substantial flights to China. It is about to open a huge maintenance hub at Indianapolis; he is continuing lobbying hard in Washington for the UK government to fly London on the airline's n hub in Chicago. It is thick of negotiations with German and US government authorities in a market alliance with Germany's Lufthansa on the ground.

"When I hand over to my successor United will be a superbly engineered company," he said. "The first is to do nothing and picks up. But it was no longer just a cyclical problem, it is structural one. We are telling them what they wanted low fares as well as safe airlines. So the outcome was no option," Mr Wolf said.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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be clearly typed and not written. Please set fax resolution

Education adapting to skills needs

From Mr Stephen Wolf

Sir, Your support for continued expansion of higher education (Personal View, January 6) will be welcome to all who believe the UK's future lies in a high-skills, knowledge-based economy. However, he fails to see the scale of recent and current change in higher education itself, both in who participates and what is provided.

It is now three years since school leavers ceased to be the majority in higher education in England and Wales: while the number of people entering higher education expanded in the by 28 per cent, the expansion was in part-time students (77 per cent), women (147 per cent), and part-timers, notably part-time postgraduates (164 per cent).

This is a signal that many people are recognising the priority of lifelong learning: we must wait for young people with new skills to replace those currently in the labour market.

The point is that traditional higher education does not necessarily produce the kind of skills which the Employment in Britain survey points to. Developing reliable and economically in universities calls for change in what is taught and how it is taught. But the government's Enterprise in Higher Education programme aims for the five in curriculum development aimed precisely at kinds of skills. Fifty-four universities, working with thousands of employers, have introduced changes affecting the experience of a growing proportion of their students.

There is a long way to go, but the UK may not be as behind the as David fears. We certainly share the hope that the present consolidation will prove to be a minor diversion from the long-term trend of expansion.

Stephen McNair,
The National Organisation for
Adult Learning,
De Montfort Street,
Leicester LE1 7GE

Challenging the parental role

From Mr Andrew Campbell

Sir, Your should be congratulated for predicting Daimler-Benz's problems as early as 1988 ("Lingerer Doubts about Daimler", November 14, by Christopher Lorenz). His analysis of Daimler-Benz was based on examining the capability of the parent company to manage and create synergy of the diverse businesses it had acquired in the previous three years. He fails to see that Daimler-Benz has become a cross between top academics and consultants and in Lorenz's writing on other companies. Why is it from

your leader, "Diversify or Die" (January 4)?

Vague discussions about specialisation or balance or about the danger of "having all your eggs in basket" are a poor substitute for rigorous analysis of existing skills in order to see why some conglomerates and others like Andrew Campbell, director, Ashridge Strategic Management Centre, 17 St James Place, London W1.

Not taken in by vouchers

From Professor Robert Case

Sir, Russians learned to believe everything they saw on television long before the launch of TV in 1989. Conversely, it is not fit for all the handful of joint arrangements, made by locally-elected councillors, which new unitary authorities will need.

Replacing the present separate county and district councils with unitary councils will put right the reorganisation, eliminating an unnecessary layer of bureaucracy, money, more responsive and accountable and, as chairman, Martin McTeal, says, produce a structure which can work from the lord lieutenancy.

Mrs Wilson claims replacing large and remote county councils with smaller, all-purpose unitary councils will be a "despised quango" because the authorities will have to work together on issues such as strategic planning, county and the lord lieutenancy.

The real threat to local democracy is ordinary people's ability to control their local services comes precisely from the new unitary authorities not from the pending reorganisation.

John Wilson, chairman, Lancashire County Council, Chorley, Lancashire

A proper role for government

From Dr M R Meyer

Sir, Mr Herbert Meyer (Letters, January 1/2) argues the proper role of government in creating economic growth is to establish ground rules, while entrepreneurs make growth happen. Perhaps one of the proper roles of government, as

mention increases and the requirement for employees

decreases, will be to ensure a reasonably equitable distribution of those employment opportunities which

M E Robinson,
36 Fairfield Close,
Grove, Oxfordshire OX1 6NQ

new cross-channel traffic it had predicted.

I imagine that London business from such as me who have had to by British Airways and th are no longer welcome aboard.

Daniel Moylan,
Egan Associates,
5 King Street, London EC4

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Monday January 10 1994

Embryo central bank faces credibility battle

By Peter Norman,
 Economics Editor

Signs are growing that the president of the European Monetary Institute, Mr Alexandre Lamfalussy, will have a struggle to get the organisation accepted as a significant force in European monetary affairs.

The institute's council holds its inaugural meeting in Frankfurt tomorrow with difficult questions over the pay and conditions of staff yet to be resolved.

There are also differences among the European central banks, which own the institute, over how jobs should be allocated on grounds of nationality.

More fundamentally, wide divergences exist between authorities such as the European Commission and Belgian finance ministry, which see the EMI as an instrument to force integration in the EU, and others, notably the Bank of England and Bundesbank, which think its role should be mainly advisory.

Last week, the Greek government, which took over the presidency of the European Union this year, had doubt on the status of the EMI. Mr Yannos Papantoniou, the economy minister who will chair meetings of EU economists and finance ministers until the end of June, has doubted whether Mr Lamfalussy would be invited to the monthly meetings of "Eco-fin" ministers on a regular basis.

Senior European monetary officials say the Greek threat is one of Mr Lamfalussy's lesser problems. The EMI statutes make clear that Mr Lamfalussy can expect to be ministerial meetings when functioning in the European monetary system or broad macro-economic issues being discussed - which will



Lamfalussy: having to build the institute from small beginnings

say the EMI has "hun-

dreds of candidates" for senior posts, mainly by central banks, but they cannot be filled until the terms and conditions of employment are finalised. Among unresolved questions is whether non-German staff should be given equivalent allowances as an inducement for living in Frankfurt or whether there is some other form of relocation allowance for new employees of the institute that does not discriminate against Germans. Mr Lamfalussy will fight for conditions that are good enough to attract high quality staff in the EMI.

The EU central bank's EMI should be kept on a tight budgetary rein so as to dispel suspicion of the extravagant behaviour that marked the start-up of the London-based European Institute for Economic Research and Development.

In the meantime, Mr Lamfalussy is unable to provide the officials who chair the various sub-committees responsible for guiding the current second stage of European economic and monetary union. A key role of the EMI's staff will be whether the staff can be such that it is properly operational later this year.

Although tough ahead, Mr Lamfalussy has one thing in his favour: he is a job EMI president. As long as the majority of EU members committed to EMI, they have a vested interest in ensuring the EMI plays a constructive part in the Maastricht treaty, about the institute's precise role.

Kantor told the Financial Times in Brussels that "a window of opportunity" was open between January 29, by which time Japan is expected to pass new economic stimulus measures, and mid-February. Mr Morihiro Hosokawa, Japan's prime minister, is due in Washington on February 11. Peter Sutherland, director general of the World Trade Organization and Trade, invoked a February 15 deadline for the presentation of new market proposals.

Noting European dissatisfaction with recent Japanese moves on oil, spirits, and other commodities, Mr Kantor said it was time for the US and the EC to "shoulder-to-shoulder" to impress on Tokyo the need for greater initiatives.

Quad officials already have a meeting scheduled for January 19. Assuming Sir Leon attends, it will be followed by a full ministerial session roughly two weeks later.

Kantor emphasised that it is incumbent on all the industrialised nations to open and build their markets.

Mr Kantor was added in President Clinton's European travelling party last week only, he said, to a harder line with Japan. Also on the agenda is following December's Uruguay Round and reaching an opening on European procurement policies on aircraft equipment.

by potential bidders for rail franchises. If it is extended to other potential private rail operators, it might attract bids for franchises.

Most of Central Railways' route is along disused British Rail track alongside existing lines, but it crucially includes miles of British Rail's Chiltern Line, which runs into London's Marylebone station.

Containers, the shipping company which is a potential bidder for a Central Rail franchise, said the concession is "very interesting and encouraging to other bidders. But it depends on how the government is prepared to raise it."

The government concession is a direct challenge to Railtrack, the company set up to own former British Rail from April. Railtrack is in the midst of tense negotiations with the Treasury over the value of its assets.

The concession meets most of the main reservations expressed

in a letter from City institutions to the project on July 15, giving permission to the Central Railway Group "to negotiate with Railtrack with a view to establishing the on which railway infrastructure and operational land could be acquired." The letter is reported

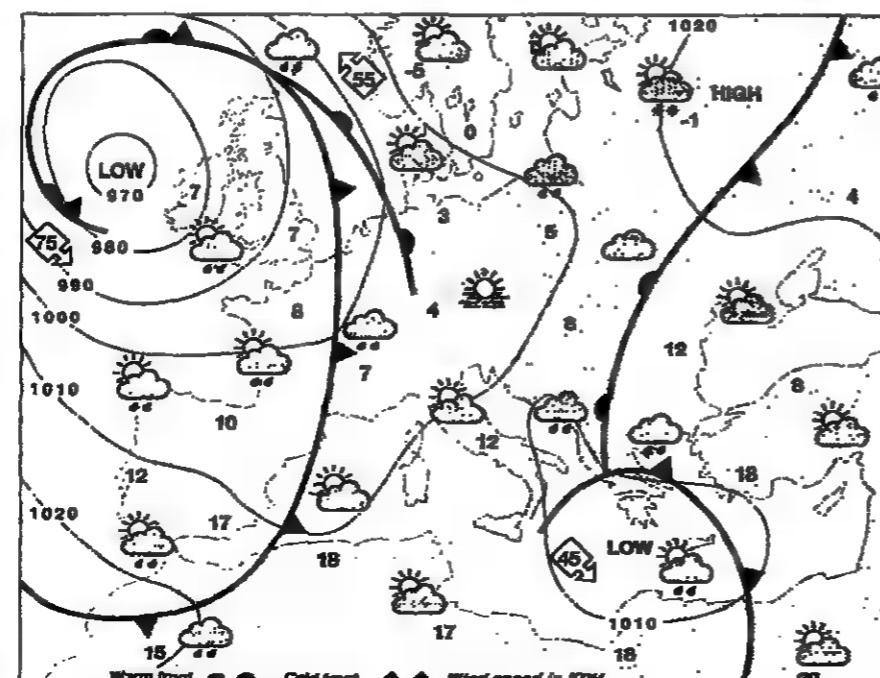
in a document published by the group.

The government has said of the Central Rail network will be owned by Railtrack, the only previous exception allowed the Isle of Wight's railway network. But it is growing for ScotRail, the Scottish network, to be sold too. The ban on selling the track has been criticised by several potential bidders for BR franchises. The founder and chairman of the Central railway Group, Mr Andrew Gritten, said ownership of the track was essential if the group is to raise finance for the project, which is expected to cost £3bn.

The group is attempting to raise £2m a day from City institutions to fund the project. A second stage fund-raising of £1bn is planned to obtain a stock market listing, which it hoped will raise nearly £1bn. At the time of listing £2bn of shares would be raised.

Many traders in the struggle could still have a considerable way to run, with one side slowly increasing its offers.

FT WEATHER GUIDE



Europe today

A vigorous depression over Ireland will give showers or outbreaks of rain over most of Europe. Some parts of the UK and France may again have long periods of rain. There are gales, especially along the coasts of France.

There will be sunny periods in central Europe. It will remain dry until evening. In the UK, there will be morning fog. Italy will have sunny periods and dry conditions.

There will bring rain or snow to south-eastern Europe. Scandinavia will be dry, cold conditions, with snow possible in the regions.

Five-day forecast

A series of depressions will bring showers or outbreaks of rain to western Europe. The depression will continue with frequent showers. Later in the week, a high pressure brings drier conditions. Central Europe will have precipitation, especially over the Alps. In the northern Alps, there will be snow. It will remain cold in Scandinavia. The chance of snow will begin Wednesday. In the southern regions, it is possible.

TODAY'S TEMPERATURES

	at 12 GMT Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands											
Maximum	Belfast	fair	7	Chicago	fair	13	Geneva	fair	7	Malta	sunny	17
Celsius	Belgrade	fair	13	Cologne	fair	17	Gibraltar	shower	17	Rio	shower	21
Abu Dhabi	fair	25	Berlin	fair	12	Helsinki	shower	20	Riyadh	fair	16	
Accra	fair	30	Bogota	fair	21	Hamburg	rain	25	Rome	cloudy	11	
Algiers	cloudy	19	Bombay	fair	32	Iceland	rain	3	S. Africa	cloudy	6	
Amsterdam	cloudy	8	Brussels	fair	18	Helsinki	fair	2	Manila	rain	30	
Athens	rain	15	Dublin	fair	7	Hong Kong	fair	22	Singapore	rain	3	
B. Aires	fair	25	Dubai	cloudy	7	Istanbul	fair	27	Stockholm	fair	-3	
B. Juan	showers	7	Edinburgh	hazy	2	Honolulu	fair	14	Tokyo	rain	5	
Bangkok	cloudy	34	Faro	fair	26	Honolulu	fair	12	Strasbourg	rain	5	
Buenos Aires	fair	14	Caracas	fair	26	Istanbul	fair	13	Sydney	fair	29	
Beijing	fair	2	Edinburgh	fair	15	Karachi	fair	18	Tunis	rain	22	
Buenos Aires	fair	2	Edinburgh	fair	15	Kuwait	fair	18	Tokyo	fair	9	
Caracas	cloudy	28	Faro	fair	15	Kuwait	fair	21	Toronto	cloudy	17	
London	fair	8	Faro	fair	15	Kyoto	fair	21	Vancouver	rain	7	
Luxembourg	fair	5	Faro	fair	15	Las Palmas	fair	23	Vaduz	hazy	8	
Lyon	fair	8	Faro	fair	15	Las Palmas	fair	21	Vaduz	fair	5	
Madrid	dizz	16	Faro	fair	15	Madrid	fair	2	Vienna	rain	6	
Malta	rain	11	Faro	fair	15	Madrid	fair	28	Washington	sun	1	
Majorca	fair	11	Faro	fair	15	Malta	fair	2	Wellington	fair	18	
Paris	fair	11	Faro	fair	15	Malta	fair	32	Winnipeg	snow	21	
Paris	fair	11	Faro	fair	15	Malta	fair	2	Zurich	fair	5	

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US seeks EU's help to open up Japanese markets

By Jurek Martin in Brussels

Obstacles remain to acceptance of EMI as European monetary force

The case with them.

The officials consider

the case with them.

Mr Kantor told the Financial

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Property companies have shown

even more starting gains. For

example, Bowater, boosted by

the company's association with

the omnipresent Mr George Soros,

has jumped from 110p to 41p.

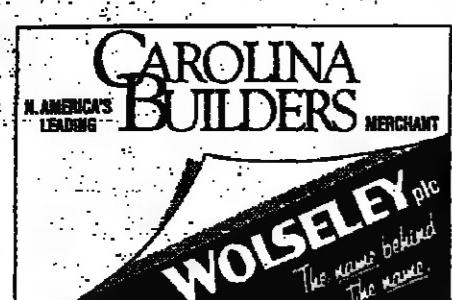
Big property companies have

also been driven by comparative

yield considerations for

valuations. The speed of the

revival in the UK property



FINANCIAL TIMES COMPANIES & MARKETS

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Monday January 10, 1994

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China to launch \$100m fund in London

By Simon Davies in London

The investment arm of China's Guangdong Provincial Government is launching a \$100m investment fund which will be listed on the London Stock Exchange. It will be Chinese development fund be endorsed by a government.

The Guangdong Development Fund will invest in a wide range of projects in what is China's wealthiest province, and the management role of the provincial government should ensure rapid deal flow. A subsidiary of Guangdong Enterprises - the Guangdong government's investment arm - is to invest \$10m in the fund. Barclays de Zoete Wedd, the sponsor of the issue, will invest a similar amount, and it is planned that a further \$80m will be placed out to US and European institutions.

Since last year's visit to Guangdong alerted financial fund managers to the changes taking place in southern China, there has been a flood of Chinese funds listed, primarily in Hong Kong, New York and Dublin. Many of these funds have been slow to invest beyond the Chinese and Hong Kong stock markets, and most of the asset appreciation has come from Hong Kong-listed China concept stocks.

Mr Victor Chu, a veteran China investor whose First Eastern China Investment will be co-manager of the fund, claims the Guangdong Development Fund will be fully invested within 18 months, and only 10 per cent can be invested in equities. He said: "1994 is going to be a difficult year in China. Even good state companies will find it difficult to expand capacity, but this will create investment opportunities."

The fund has already signed letters of intent for up to five projects which would absorb around 25 per cent of its capital.

The Guangdong Development Fund is looking to invest in infra-structural projects and light industries within Guangdong Province, which borders Hong Kong.

GM sets US profit aims after turnaround

By Kevin Done, Motor Industry Correspondent in Detroit

General Motors of the world's largest vehicle maker, has set the target of achieving a profit on its North American operations in three years of heavy losses, Mr Smith, chief executive said last night.

GM, which still lags behind the financial performance of Ford and Chrysler, its US rivals, is operating at break-even on

its North American automotive operations in 1993 before interest and tax, he said. This represented a turnaround of more than \$10bn since 1989 and of \$4.5bn in 1993 alone, Mr Smith told the Automotive News World Congress.

Mr Smith, who was chief executive in November, after a boardroom coup, said that GM's North American production rates were still high, and the group's balance sheet was "still in weak".

However, GM's Opel/Vauxhall car

and light commercial vehicle operations in Europe had remained significantly in the black", said Mr Wagoner, GM finance director. GM Europe remained the most profitable volume carmaker in Europe last year, in contrast to the heavy losses suffered by its leading rivals including Volkswagen, Ford of Europe, Fiat and Peugeot-Citroën. It is understood to have achieved a profit of \$400-\$500m in spite of a fall of around 10 per cent in European new

Mr Wagoner said that GM Europe had incurred significant restructuring costs in 1993 to reduce its workforce and financial performance should improve in 1994.

He added that in North America GM had operated at 75-80 per cent of capacity but was aiming to reach 85 per cent capacity utilisation by 1996 through continuing plant closures, already announced, and rising output.

Mr Smith said that GM's top short-term priority for the past two

had been to "stop the bleeding" from its North American operations through improved product quality, a big reduction of unprofitable sales to daily rental fleets with greater emphasis on retail sales, reduced costs and lean manufacturing.

The biggest short-term gain in the short-term - \$4bn between the end of 1993 and the end of 1993 - had been achieved in purchasing, where 27 North American purchasing units were

Markets this week

Starting on page 20

PETER MARTIN:
GLOBAL INVESTOR
The death of vertical integration has been a constant of world business over the past 10 years. But it is still influencing the investment opportunities in manufacturing industry.

PETER NORMAN:
ECONOMICS
Early next month, policy makers should receive a rulebook on how to monitor economies. It will mark a breakthrough of sorts, but many will say an opportunity has been missed.

Bonds:
Borrowers have dashed to launch new year eurobond issues. With several major international new supply, one of the most interesting was the Eurodollar. Page 22

Equities:
The re-appearance of US buyers in the sort of last resort market London firms will be looking like prolonged post-Christmas indecision. Page 21

Emerging markets:
We expect Wall Street to repeat last year's 20 per cent capital gain. But the profits have the attention of politicians keen in Latin America. Page 21

Commodities:
With US-Japan talks to begin in Tokyo this week, a key question will be the future relationship between the dollar and yen. Page 21

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Martin Dickson reports on the merger of Blockbuster and Viacom for the Paramount bid

Unlikely duo in the world of entertainment

It is a blockbuster of a deal, in both name and nature, but the \$8.4bn merger agreement unveiled on Friday night by media mogul Viacom and video retailer Blockbuster is getting unenthusiastic early reviews on Wall Street.

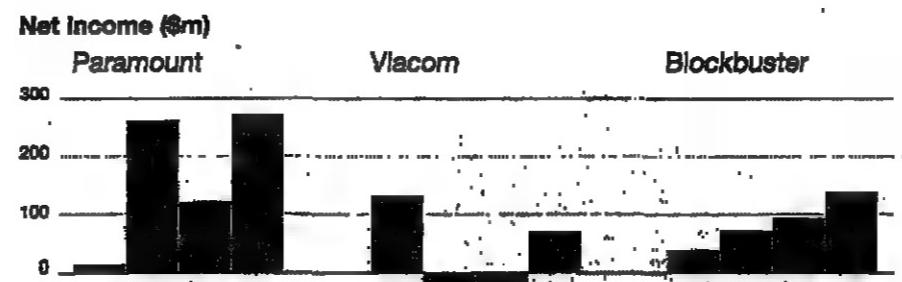
The deal is the latest startling move yet to come from the five-month-long takeover battle for film and video group Paramount Communications, in which rival Viacom and QVC Network have gathered around them groups allied media and telecommunications companies.

It also marks a coup for Mr Wayne Huizenga, Blockbuster chairman, who in seven years has turned the business from a tiny chain into the world's largest video retailing empire, and has been trying to transform it into a broader entertainment company. To that end, Blockbuster agreed last September to provide \$600m to back Viacom's bid. On Friday, it agreed to put up a further \$1.5bn in return for Viacom stock, allowing Viacom to increase the amount of cash in its cash-and-stock bid for Paramount.

At the same time, Viacom has agreed to take over Blockbuster via a stock swap worth some \$8.4bn - a deal meant to go ahead irrespective of whether the alliance wins Paramount.

Wall Street is unimpressed. First, the deal seems a convoluted way of keeping highly-leveraged

The picture at Paramount



Market capitalisation: Paramount: \$9.3bn, Viacom: \$2.5bn, Blockbuster: \$9.5bn
Employees: Paramount: 12,600, Viacom: 5,000, Blockbuster: 23,100

Sep 12 Viacom announces \$8bn offer to take over Paramount.
Sep 20 Viacom launches rival \$8.5bn bid.
Sep 23 Viacom sues to prevent Paramount from bidding.
Nov 8 Viacom's second offer rises to just over \$10bn.

Oct 12 GVC steps up bid to \$10bn.
Oct 20 Paramount reconsiders CVC bid worth \$10bn after receiving new bid two days before.
Jan 7 Viacom announces merger with Blockbuster to finance higher bid.

call up a movie at the touch of a remote control button, rather than having to go to a video store.

However, it is the creation of Mr Huizenga, who has built the third largest record seller in the US, and has a separate joint venture with Britain's Virgin to develop music mega-stores.

Management (now known as Viacom Technologies), America's largest rubbish removal company.

It retired from Paramount Management in 1991 and three years later invested in the then tiny Blockbuster.

Blockbuster now accounts for some 15 per cent of the home video market and has grown in nine countries. Even though the rental market is mature, its income and revenue (\$142m and \$1.2bn in 1992) have been growing strongly, partly by capturing

business from rivals and partly from consumers.

Admittedly, Viacom is not in a position of premium gain control of Blockbuster.

It has been offered around \$31 a share, which compares with \$21.50 on Friday.

The 70-year-old Mr Redstone will retain control of the combined group, with 40 per cent of its voting stock, while Mr Huizenga, 51, will become vice-chairman.

Friday's deal has left some analysts wondering not only if Mr Huizenga has the firepower to win Paramount, but whether he may have just hitched a ride into the brave new multi-media future on the technological equivalent of a buggy.

Subpoenas served in case of UBS dismissal

By Robert Peston in London

Mr Terry Smith, one of the City of London's best-known investment analysts, is serving subpoenas on firms leading instrumental as part of his case for unfair dismissal against UBS Securities, the investment bank subsidiary of Switzerland's UBS bank.

He has filed subpoenas in the attorney general's office in the attempt to sue Sir Colin Marshall, chairman of British Airways, Sir Alan Sheppard, chairman of Grand Metropolitan, and Mr Robert Montague, Tiphook chairman.

Mr Smith was sacked by UBS in October 1993 after he claimed to cancel publication of a book, Accounting for Growth, which is critical of the accounting techniques used by many of the UK's biggest companies, including the drinks group Grand Metropolitan.

He believes he was dismissed in part because of complaints about the book from GrandMet and other companies, though UBS has denied this. It said he was dismissed because he breached internal procedures for writing the contents of the book.

The trial, which begins later this year, will be a focus for the long-running City debate on whether analysts are free to write impartial reports on companies which are the shareholders of their firms.

UBS is suing Mr Smith for breach of copyright in relation to the book. Mr Smith is suing UBS for breach of contract and unfair dismissal. He is claiming around £800,000 in lost remuneration and legal fees.

This week: Company news

METALLGESELLSCHAFT/SIEMENS Germany due for a respite from nasty shocks

The worst should be over by Wednesday evening. By then, Metallgesellschaft's corps of shell-shocked shareholders and bankers is due to have delivered its verdict - along with pledges to stump up DM3.2bn (\$1.85bn) on the new management's rescue plan.

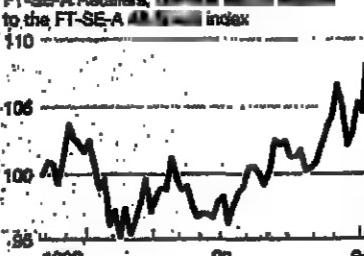
Provided there are no further unpleasant surprises from the metals, mining and engineering group, things should start to improve on Thursday. That is when Mr Helmut von Pierer, chairman of Siemens - the epitome of German corporate conservatism - will reflect on a sound year and perhaps offer some more tangible evidence of economic recovery than the "light on the horizon" allegedly detected by Bundesbankers and assorted pundits.

Mr Kajo Neukirchen, the new Metallgesellschaft chairman and renowned company doctor, is also expected to make an appearance before the press to throw more light on how he hopes to take the group forward.

Although the financial rescue package is the work of Deutsche Bank and Dresdner Bank, the role should not be underestimated. One industrialist remarked, "wherever they put him in, I'll put my money in behind him." Which may be of some comfort to creditor bankers. One of them, despite an attack of the horrors over the revelation of a DM1.8bn loss at MG Corp in the US, said: "I'd love to see what the poor blighter can do when he gets to run a good company."

Mr von Pierer is in that fortunate position. At the Siemens annual press conference he will review the group's 1.3 per cent net earnings gain for last year. It was not much, but given the sea of red ink engulfs much of corporate Germany, it was as welcome as the group's plan to invest DM2.4bn in a new semiconductor plant in Dresden. Those looking for more good news will focus on the order book.

UK stores



UK RETAILERS Flurry of news to test the anecdotes

After conflicting messages from Dixons and Boots last week, a clearer picture of UK retailers' fortunes in the vital Christmas trading period may emerge this week, with at least four leading groups due to make trading statements.

Dixons rushed out a profit warning last Thursday, which contrasted with anecdotal evidence of brisk seasonal trading. Boots, however, reported sales up 7.2 per cent, and is thought to be more representative of the sector.

Tuesday jewellery group Signet (formerly Ratners) and Storehouse, the clothing group, will report. Signet shares were hit in December by rumours that sales were down. But at least one analyst expects the group to announce a recovery. Storehouse is expected to follow a good Christmas last year with sales increases of about 8 per cent E&P and 10 per cent at Mothercare.

Body Shop, which last year reported an 8 per cent drop in like-for-like Christmas sales, is expected to report better news on Thursday. Analysts expect growth of 4.5 per cent including new stores. Friday's results from catalogue retailer Argos is also expected to be positive.

Next and Sears are still considering whether to make statements, while Kingfisher is tipped to make its first ever Christmas statement before the end of the month. Marks and Spencer is waiting until mid-February.

OTHER COMPANIES Bidders line up for Italian phone prize

Italy's mobile phone network will be working out this week to finalise preliminary proposals for the pre-qualification deadline on Saturday.

After months of inaction, the initiative to open Italy's cellular phone market, hitherto monopolised by the state-owned Sip (Telecom Italia) and up a new private network, is moving ahead in earnest. Italy is one of Europe's fastest-growing mobile phone markets, with some 1.1m subscribers to the existing network.

The four main bidders in contention are: Unitel (Fiat, Fininvest, Vodafone); Omnitel (Olivetti, Telecom Italia, Bell Atlantic, Cellular Communications, Lehman Brothers); Pacific (Telecom Italia and a number of medium-sized Italian companies); Etra (Eni group, BellSouth, Millicom, Premafin). The process is expected to continue by April.

■ Westinghouse: On Tuesday Michael Jordan, chairman of the troubled conglomerate, will brief Wall Street analysts for the first time since his appointment in June. It is expected to spell out his strategy for turning the company around.

Mr Jordan, formerly a director of PepsiCo, replaced Mr Paul Legg, who resigned from the chairman under boardroom pressure a year ago.

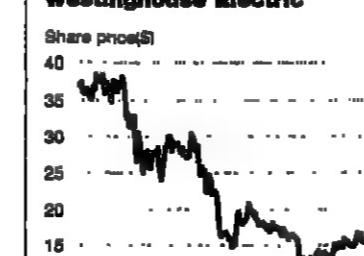
■ J.P. Morgan: The US bank will enjoy a temporary respite from its entanglement with the struggling Spanish bank Banesto when

it reports fourth quarter results on Thursday. The figures are expected to show a strong increase, with market projections putting earnings per share for the year at \$1.20 compared with \$1.00.

The earnings momentum in the last quarter is likely to have slowed, though. The question is whether a tail-off in trading income lead to a stalling in earnings?

■ Tomkins: In the UK on Monday, the industrial group Tomkins reports half-year results. The market will be looking for a return to Ranks' McDougall, acquired a year ago. The milling and baking subsidiary has dragged down the parent's stock. Analysts are expecting pre-tax profits of about £37m (\$180m), up from £47.1m.

Westinghouse Electric



■ Rank Organisation: On Thursday the leisure group will report annual results amid speculation that it is in financial trouble. It has a joint venture with Xerox to cut its workforce. Analysts are looking for pre-tax profits in the region of £264m, up from £230.1m.

■ Novell: The computer software company is expected to report a 15 per cent decline in earnings per share.

■ Pharmakopus: The pharmaceuticals company is expected to report a 10 per cent decline in earnings per share.

■ SmithKline Beecham: The pharmaceuticals company is expected to report a 10 per cent decline in earnings per share.

■ Technology: The computer company is expected to report a 10 per cent decline in earnings per share.

■ Viscom: The telephone equipment company is expected to report a 10 per cent decline in earnings per share.

■ Whitbread: The hotel chain is expected to report a 10 per cent decline in earnings per share.

■ Zanith Systems: The television manufacturer is expected to report a 10 per cent decline in earnings per share.

COMPANIES AND FINANCE

Buying the Bactroban with the bath oil

Guy de Jonquieres on why SmithKline Beecham has reshaped its consumer brands side

SmithKline Beecham, the pharmaceuticals group, will today seal on a year-long reorganisation of its business by giving it a new name. In future, the business, which last year provided a quarter of the group's £5.2bn turnover, will be known as consumer healthcare division.

Behind this apparently trivial detail lies a ride through sweeping through the world pharmaceuticals industry. SB aims to sharpen the international marketing thrust which it, and many rivals, believe will be increasingly important in the future.

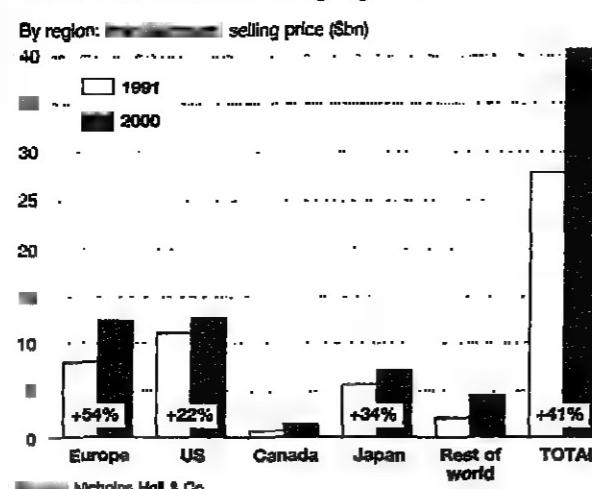
The most powerful impetus is the industry-wide stampede to generate more business from over-the-counter drugs. Ballooning health budgets force governments everywhere to squeeze prescription medicine costs.

"Ten years ago, increasing OTC sales was tactically right. Today, it is strategically right," says Mr Harry Groom, chairman of SB's healthcare.

Competitors have drawn same conclusion. Six months ago, Glaxo, Warner-Lambert and Wellcome joined forces to develop and OTC drugs. A year earlier, SB formed a joint venture for similar purposes with Marion Merrell Dow of the US.

History has endowed SB with some advantages in consumer marketing. It is relatively more exposed to consumer products than most of its large rivals, thanks to best-selling anti-ulcer drug,

Over-the-counter drugs growth



Ribena soft drinks, Macleans toothpaste and Tums antacid tablets.

However, not all the brands fitted the company's newly-defined vision — health-supplier. Last year, it disposed of products including Bryclemm hairdressing, Badges all the Silvikrin and Vaseline hair care brands.

The streamlining leaves the healthcare division focused on three main business OTC drugs, currently about half its total sales; oral including toothpaste and brushes, which accounts for a further quarter; and nutritional products.

Mr Groom reckons the business will get to a flying start this year when it launches in Britain a non-prescription version of Tagamet, the best-selling anti-ulcer drug.

However, industry analysts

point to the OTC business pitfalls. An OTC version of Tagamet will have to do a similar job to the prescription drug with a much lower strength. It will compete directly with Tums as an antacid treatment. And once Tagamet patients finally expire, rivals will make it.

"The market is going to be more competitive", says one analyst.

SB has spent the year fighting for that challenge by overhauling its international marketing, which had been hampered by the company's division into loosely-linked geographic units. "There was no way to drive a cohesive marketing or product development strategy worldwide, because it quickly ran into geographic barriers", says Mr Groom.

After studying successful products manufacturers, including Unilever, and Procter & Gamble, SB set up teams, each responsible for managing a product category. Headed by proven marketing executives and backed up by research and development staff, they are free to co-operate managers from the company's national subsidiaries.

The new approach is already paying dividends. Mr Groom says the division's growth by 11 per cent in 1993 is stagnating in

Tighter cross-border co-operation has reduced the number of units around the world, cutting manufacturing by 5 per cent a year. "Better co-ordination hasn't

just saved on costs," says Mr Peter Glynn-Jones, SB's head of corporate strategy. "It means if something has been done by a group of experts, you can be it's right."

Product development has also been speeded up. Mr Glynn-Jones has a new toothbrush with a flexible head been developed in 40 per cent of the time needed under the old system. SB aims to launch it in all its main markets in two years, instead of the four it would have taken previously.

The next challenge is to extend products frontiers. This advanced slowly since formed in 1988 out of merger between SmithKline French of the and the British Beecham group.

Though the healthcare division's biggest markets in the US, Europe, Japan, only places outside Britain where many former Beecham brands, such as Horlicks, are sold Commonwealth countries. Furthermore, the UK is still the only market in which all division's three business are active.

Mr Groom says sidering launching nutritional drinks such as Ribena and Lucozade in the US. It also to broaden its product in China, where Concast anti-cold treatment is already selling well.

However, the division's for expansion do end there. It is also the look-out for acquisitions and believes further strategic alliances will play a role. "We take a very pragmatic approach," says Mr Groom.

"Better co-ordination hasn't

EFM Dragon \$80m senior loan note issue

EFM Dragon, an East Asian investment trust, has issued £50m of 11 year senior loan notes. It is believed to be first UK investment to make this kind of issue, writes Bethan Hutton.

The notes, which have a fixed coupon of 7.25 per cent, are placed with US institutional lenders.

The trust currently has assets of about £350m, only a small amount of gearing. The proceeds of the issue, arranged by Hambros and Fleming, are invested, the trust will be approximately 20 per cent, a relatively high level for its sector.

Mr Hamish Buchan, an investment trust analyst at NatWest Capital Markets, the trust's analyst with Warburg, said that current investment regulations meant the interest would have to be paid out of dividend income rather than capital growth from the fund.

Dividend levels on shares in south east Asian markets tend to be low, the rate of 1.5 per cent spread over the whole fund should be possible to meet.

The impact on income to shareholders should be outweighed by improved capital gains.

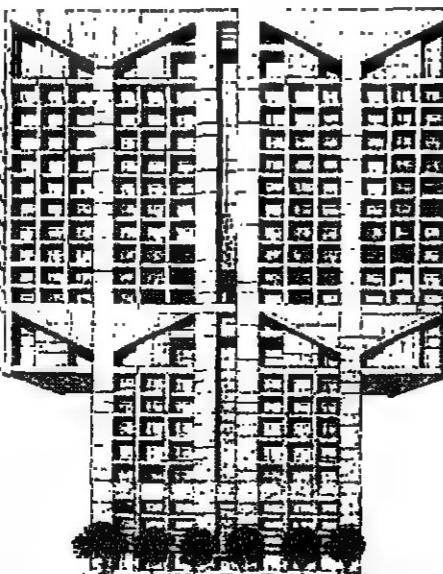
buy into markets of weakness.

Mr John Szymonowicz, an investment trust analyst with Warburg, said that current investment regulations meant the interest would have to be paid out of dividend income rather than capital growth from the fund.

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Whitbread opens more Pizza Hut's

Whitbread has agreed plans with Compass, the catering group, to open five new Pizza Hut outlets during the next month in UK airports, railway stations, workplaces and other off-high street locations, writes Phillip Rawstorne.

Pizza Hut opened its first UK outlet in 1989 to bring the total to nearly 380.

The company also intends to continue the expansion of its retail operations.

S.G. Warburg Capital B.V.

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In accordance with the provisions of the Notes, it is hereby given that, for the month period, 10th January, 1994 to 11th July, 1994, the Notes will bear interest at the rate of 3½ per cent, per annum.

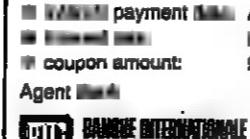
Coupon No. 16 will therefore be payable on 11th July, 1994 at U.S.\$4,799.58 per coupon from Notes of U.S.\$250,000 nominal and U.S.\$189.58 per coupon from Notes of U.S.\$10,000 nominal.

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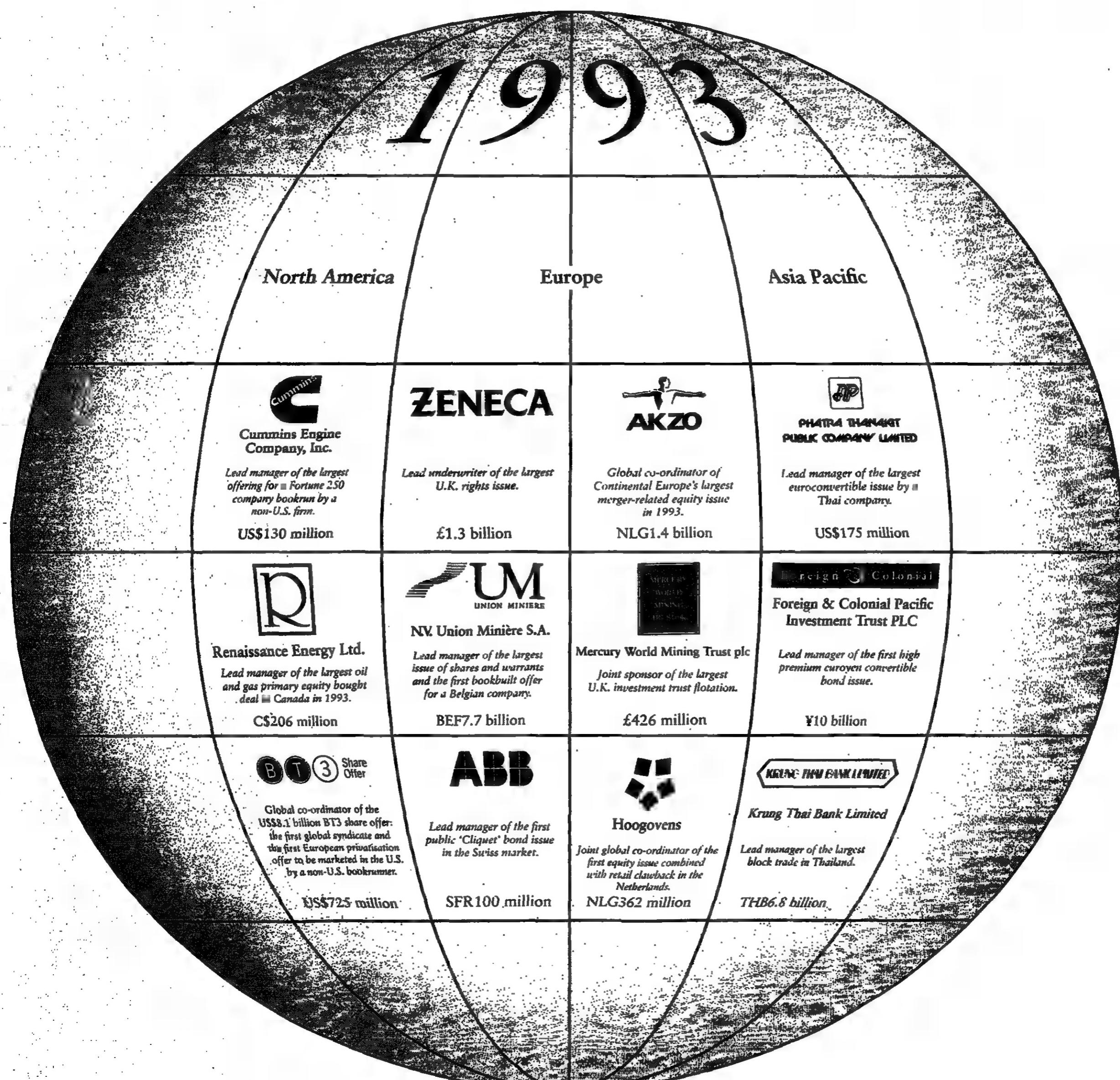
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COMPANIES AND FINANCE

US bank sought Banesto board changes last autumn

By John Gapper
Peter Bruce in Madrid

J.P. Morgan, the US bank advising Banco Español del Crédito (Banesto) before its board dismissed weeks ago, recommended to Mr Mario Conde, Banesto's former president, last autumn that it make changes in the bank's senior management as part of a recovery plan.

J.P. Morgan, Mr Luis Angel Rojo, the governor of the Bank of Spain, on behalf of intervention, say that it supported Banesto's former management. However, it emerged that the bank had told Mr Conde it thought managers should be replaced.

J.P. Morgan believed to have pressed for management changes that could be

announced early this year as part of its own recovery plan, which would have involved writing down Pta265bn (\$2bn) of Banesto's assets immediately and raising new capital by convertible bond issue.

Mr Conde, meanwhile, has promised to hold a press conference this week, which would be his first public appearance since being removed as Banesto chairman.

It seems unlikely that Mr Conde will seriously challenge the central bank's intervention. It owns about 4 per cent of Banesto's equity and his personal fortune depends on the bank recovering under its management.

Mr Conde borrowed Pta70bn from Central Hispano (BCH) to participate in the capital increase, by J.P. Mor-

gan last year, pledging the he bought of his guarantee.

However, Mr Conde is likely to add his voice to growing opposition in Madrid to the possibility that the Banesto management could write down the bank's capital and thus the value of current shares, before asking other Spanish banks to participate in a capital increase.

Mr Amestegui, president of BCH, has publicly opposed a capital write-down. "It is the last thing they should do," he said.

Mr Alfredo García, Banesto's acting president, has told shareholders he is "studying every possibility" to protect their interests. Opponents of an equity write-down should recapitalise by selling

Italy's yen bond open to Japanese investors

By Tracy Corrigan

The global bond offering, launched today, will be the first to all investors in Japan, as well as Europe and the US, following the implementation of Japanese financial regulations.

Previously, international bonds were only sold in Japan after a 90-day lock-up period, and then only to large institutions. Because the Italian bond is a registered security, it can be placed with individual and retail investors in Japan.

The process is similar to one undertaken with the Securities and Exchange Commission in the US market, and allows underwriters to sell bonds to a broader investor base.

DBM Securities, one of the managers of the transaction, said that "the whole transaction could be absorbed in the domestic market, but that's not the purpose of the deal". If it were placed solely in the domestic market, it would be likely to become illiquid.

The seven-year bond is expected to be priced to yield 6.48 basis points more than the No.10 Japanese government bond from 2001. Following a further rally in the Japanese government bond market last week, this would give a yield of about 3%.

According to Mr Alberto Giovannini, head of the Italian Treasury's international borrowing programme, the pricing reflects an improvement in Italy's performance in the market in the last year.

However, with elections due this year, Italian bonds may again become volatile in view of political uncertainty.

Foreign borrowing for 1994 has not yet set. Mr Giovannini said that it would be around 4 per cent to 5 per cent of total debt. This year, Italy borrowed in international markets.

When the hedging had to stop

Metallgesellschaft lost DM800m on oil contracts, writes Richard Waters

Metallgesellschaft, the stricken German metals and oil trading group, puts its derivatives for the year ended September at about DM800m (\$470m). By its unprofitable positions, a further DM1.5bn

be added, creating a spectacular losses incurred through trading in the derivatives markets.

Could disaster really have its origins in a misguided hedging strategy intended to reduce the group's potential losses from movements in oil price?

The answer, according to people close to the group and traders in the oil derivatives markets, is a close knowledge of its activities, yes. However, as the year began to end through last autumn, further misjudgments by the group's management led to the scale of the disaster.

At the heart of the company's woes lies a basic mismatch in the maturity of its commitments to deliver oil and oil products, and the derivative financial instruments used to hedge those commitments.

MG Corp, the US arm of the group, had been on an aggressive expansion of its energy business, with its oil

through its 40 per cent stake in Castle Energy, a Pennsylvania refining and marketing company. MG had been widening its refining network rapidly. Last year, it had acquired Poweline, a California-based refinery. Its refining capacity is put by analysts between

100,000 and 150,000 barrels a day.

The group is also reported to have an oil refining arm, buying and selling on products to a wide range of customers. Total sales put it some \$1.5bn b/d.

Yet the rapid growth of its refining and marketing operations left MG with a large risk. It was contracting to sell oil and oil products in the future at a price which had been determined at the time.

However, it would have to buy oil at fixed commitments at the prevailing spot price. If the oil price were to move up, it could face a big loss.

MG chose to hedge mostly by buying short-term futures contracts. MG's operations at the financial markets were conducted through MG Refining and Marketing, a subsidiary through which the physical side of oil trading was handled. The bulk of the trading was handled through the subsidiary's operations in New York, which had much of the energy trading in the US.

MG had acquired a reputation as a moderately active trader in the over-the-counter derivatives markets, though not one of the biggest. It had enjoyed a good reputation among Houston's oil trading community, and was known for hiring bright people. Last year, it recruited Mr Mark Kinnear, a former vice-president of Philip Morris, the energy trading arm of Philip Morris and a long-time participant in the derivatives markets.

A number of oil traders said that it was an article of faith in their own firms that the phenomenon would per-

sist, or that if short-term prices fell below long-term ones, it would be only marginally.

On this presumption, the maturity mismatch in MG's hedging strategy posed few risks. It could even lead to a small profit if the oil market returned, since the company would profit from short-term trading gains.

When oil price fell in autumn, revealed the flaw in this approach. The long-term oil price remained little moved, while the immediate market price fell. Suddenly, MG faced with big losses in its short-term derivative positions.

A number of questions remain. Why did MG earlier to change its hedging strategy? As the oil price slid, even at the crucial Opec meeting in November, it was clear that past assumptions about the pattern of oil price might be challenged.

Were all its short-term positions in the oil market the result of hedging, or was the company also speculating to try to profit?

It is clear that MG running with a barrel loss on all its derivative exposure, it would have needed to take a position of nearly 100,000 barrels in take a loss of \$1bn. That is equivalent to nearly two years' worth through its refining and marketing arm, all if it hedged the short-term market.

"That's a pretty big bet," one experienced oil trader said. "It certainly raises a question about hedging speculation."

Zenith and Novell in networking initiative

By Alan Cane

Zenith Data Systems, the personal computer arm of Groupe Bull of France, and Novell, the leading US computer networking software supplier, will today announce

to simplify and cut the cost of networking for small workgroups.

The initiative, if successful, will strengthen Novell's hold

on the networking market while throwing an additional lifeline to the troubled PC.

The two companies are launching a family of network servers, small computers which connect information around a network.

Priced between \$899 and \$1,599, the servers claim to bring advantages of information services to

up to 10 without

minutes by computing novices.

The Z-Stor units will be the first to use Novell's new operating software derived from the acquisition last year of Digital Research, a pioneer in operating software. The software is a competitor to Microsoft's MS/Dos and Windows, but Mr Bruce Fryer, ZDS product manager, said there was no intention of using Novell's system on other ZDS computers.

CONTRACTS & TENDERS

PETROECUADOR STATE OIL & GAS COMPANY OF ECUADOR INTERNATIONAL OIL AND GAS TENDER

THE SEVENTH BIDDING ROUND FOR EXPLORATION AND PRODUCTION OF OIL AND GAS IN THE REPUBLIC OF ECUADOR

The state oil and gas company of Ecuador, Petroecuador. Authorised by the special bidding committee, (CEL), invites national or foreign, state or private companies. Associations or consortiums to participate in the following special bid.

Amazon Region. Special bid numbers:

- 001-CEL-94 for Block No. 11
- 002-CEL-94 for Block No. 18
- 003-CEL-94 for Block No. 19
- 004-CEL-94 for Block No. 21
- 005-CEL-94 for Block No. 22
- 006-CEL-94 for Block No. 23 (Reserved for any STATE - OWNED OIL companies)

Pacific region: Special bid numbers:

- 011-CEL-94 for Block No. 3
- 012-CEL-94 for Block No. 4

The on-shore Blocks have an area of up to 200,000 hectares and the off-shore Blocks have an area up to 400,000 hectares.

The Registration fee is USD \$100,000 for the Amazon region blocks and USD \$50,000 for the Pacific Ocean region blocks. Payment must be made with a certified check from a local bank or a foreign Bank with a Branch in Ecuador. This check must be delivered at the treasury offices of Petroecuador's main building located at the following address:

Alpailana Y De Diciembre. 1st Floor
Quito - Ecuador

Upon completion of the registration, the corresponding legal documents, the contractual provisions, the proforma of the contract, the procedure for the evaluation of the bid and the contract awarding process, the technical information on the blocks and all other necessary will be handed out starting 9 a.m. on Monday January 24th 1994 at the Unidad De Contratacion Petrolera (UCP) located at the following address:

Santa Prisca 223 Y 10 De Agosto. 4th floor

Quito - Ecuador

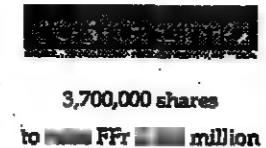
Tel. (593) 584-860 or 584-439 Fax: (593-2) 582-511

The bids will not be accepted later than 16:00 Ecuadorian time on Tuesday May 31, 1994 at secretariat of the special bidding committee located at the office of the Executive President of Petroecuador on the 9th Floor of Petroecuador's main building.

DR. FEDERICO VINTIMILLA
EXECUTIVE PRESIDENT OF PETROECUADOR
GENERAL SECRETARY OF THE SPECIAL BIDDING COMMITTEE
PRESENTATION AND FURTHER INFORMATION

- | | |
|-------------------------|--|
| - LONDON. JAN 10, 1994 | AT THE INTERNATIONAL COFFEE ORGANISATION |
| - PARIS. JAN 12, 1994 | AT THE LATIN AMERICAN HOUSE |
| - CALGARY. JAN 17, 1994 | AT THE CALGARY CONVENTION CENTRE |
| - HOUSTON. JAN 20, 1994 | AT THE WESTIN GALLERIA HOTEL |
| - TOKYO. JAN 21, 1994 | PLEASE CONTACT THE ECUADORENE EMBASSY |
| - SEOUL. JAN 24, 1994 | PLEASE CONTACT THE ECUADORENE EMBASSY |

Placing power across borders



3,700,000 shares
to [REDACTED] million

International Placing
Lead Manager

Kleinwort Benson Securities

April 1993



305,820 ordinary shares
143,640 preference shares
to raise AS 427.7 million

Rights Issue and International Offer
Joint Global Co-ordinator
and International Lead Manager

Kleinwort Benson Securities

June 1993



1,440,000 shares
to raise AS 885.6 million

Rights Issue and International Offer
International Co-Lead Manager

Kleinwort Benson Securities

September 1993



4.25 per cent Euroconvertible Bonds due 1999
to raise US\$ 60.5 million

International Offer
Lead Manager

Kleinwort Benson Securities

November 1993



171,060,000 series A ordinary shares
60,000,000 series C preference shares
to raise SEK 3.5 billion

Demutualisation
Domestic and International Offering
Joint Lead Manager and Bookrunner

Kleinwort Benson Securities

December 1993



0.25 per cent Euroconvertible Bonds due 2009
to raise US\$ 30 million

International Offer
Joint Lead Manager and Bookrunner

Kleinwort Benson Securities

December 1993



6.5 per cent Euroconvertible Bonds due 2000
to raise £27.7 million

International Offer
Lead Manager

Kleinwort Benson Securities

April 1993



Yacimientos Petroliferos Fiscales (YPF)

160,000,000 shares
to [REDACTED] 3,040 million

Co-Lead Manager

Kleinwort Benson Securities

June 1993



11,676,350 shares
to raise FIM 179,231,973

International Offer
Co-Lead Manager

Kleinwort Benson Securities

September 1993



40,000,000 shares
to raise Ptas 109.4 billion

International Placing
Co-Lead Manager

Kleinwort Benson Securities

March 1993



(Nippon Yusen K.K.)

1 1/2 per cent Notes with Warrants due 1997

[REDACTED] raise US\$ 100 million

International Offer

Co-Lead Manager

Kleinwort Benson Securities

March 1993



3,460,000 [REDACTED]
to raise FIM 577.8 million

International [REDACTED]
Global Co-ordinator

Kleinwort Benson Securities

June 1993



1,850,000 shares
to raise AS 621.6 million

International Offer

International Lead Manager

Kleinwort Benson Securities

June 1993



1 1/2 per cent Euroconvertible Bonds due 2000
to raise ¥30 billion

International Offer
Co-Lead Manager

Kleinwort Benson Securities

July 1993



6,665,000 units consisting of [REDACTED] share and [REDACTED] warrant
to raise FFr 2.89 billion

International Offer

Senior Co-Lead Manager

Kleinwort Benson Securities

September 1993



14,000,000 shares
to [REDACTED] million

Domestic and International Offer
Global Co-ordinator

Kleinwort Benson Securities

October 1993



Banque Nationale de Paris

72,129,786 [REDACTED]

to raise [REDACTED] 17.3 billion

International [REDACTED]

Co-Lead Manager

Kleinwort Benson Securities

October 1993



1,753,375 American Depository Shares
to raise US\$ 133.6 million

International Offer
Co-Lead Manager

Kleinwort Benson Securities

November 1993



4,040,580 American Depository Shares
to raise [REDACTED] 91.9 million

International [REDACTED]

Co-Lead Manager

Kleinwort Benson Securities

December 1993



3,236,180 shares

[REDACTED] million

[REDACTED] and International Placing

Joint Lead Manager and Bookrunner

Kleinwort Benson Securities

December 1993



572,453 shares

to raise FFr [REDACTED] million

International Placing

Lead Manager

Kleinwort Benson Securities

December 1993



840,000,000 shares

to raise Lit 1,743 billion

International [REDACTED]

Co-Lead Manager

Kleinwort Benson Securities

December 1993



38,605,440 shares

to raise TL [REDACTED] billion

International Offer

Global Co-ordinator

Kleinwort Benson Securities

December 1993

Kleinwort Benson Securities

[REDACTED] by Kleinwort Benson Securities Limited, a member of SFA, the London Stock Exchange and ISMA.

The Markets

THIS WEEK

Global Investor / Peter Martin

Impact of an invisible trend



These worldwide economic trends are easy for investors to come to terms with. Manufacturing is heading south. Buy Hong Kong. Interest rates are falling. Buy banks and property. Inflation's on the wane? Look for companies with long-term pricing flexibility.

And so on. These trends must harder to translate into investment decisions. We know the score, but we quite see them play it.

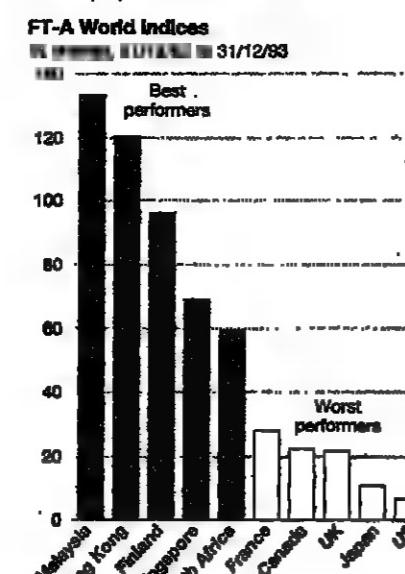
That's certainly one of the profound trends reshaping manufacturing industry: the shift of vertical integration. Not only is it easier to disentangle the winners and losers; it is also easier to decide if this is an idea that has come to stay. If the full impact has yet to be felt.

After all, the sort of complete vertical integration once seen at Ford's Rouge plant - iron ore in one end, cars out of the other - has been out of fashion for at least 10 years. It is clear that nearly two decades later the US car companies' heavy reliance on in-house components put them at a significant competitive disadvantage to their Japanese rivals. And in the 1980s, industry was disparate: oil and computers started to look again at how vertically integrated they should be.

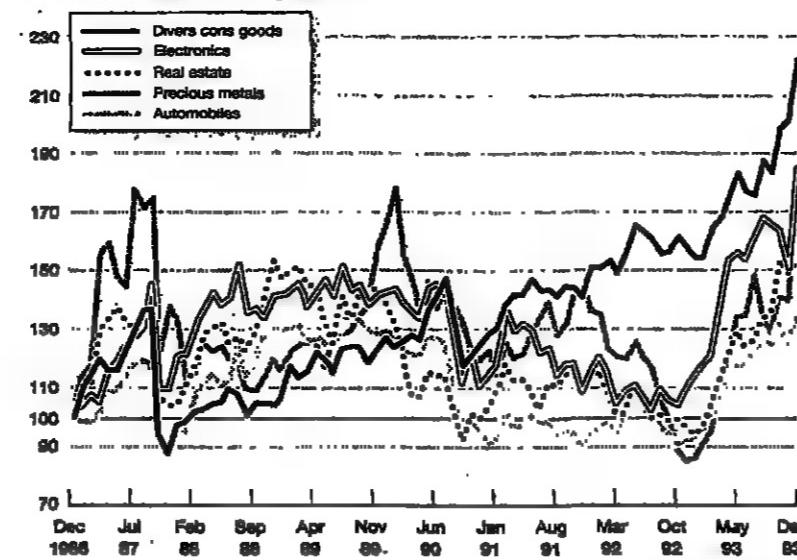
The trend though is still making itself felt. Now ICL, the UK-based arm of Japan's Fujitsu, turned its factory into an electronics component manufacturer, as part of a decentralisation plan. And Coopers and Lybrand's automobile experts announced that, though the car industry already moved away from vertical integration, you don't see nothing yet.

But the trend of the future will be not manufacturers,

How the world works



FT-A World index - Industry sectors



the Coopers study, more than 10 of the present main engine manufacturers will survive. With a complete new costing nearly \$1.5bn to develop, the study says, collaboration and vertical reengineering is inevitable. Most major agreements in Germany, for example, will allow Mercedes-Benz, Daimler-Benz and Volkswagen to do much more outsourcing following a path already trodden by the US (and bringing Europe more into line with the pattern always operated in Japan). "Only final assembly will remain in manufacturer, as product variety and quality reasons."

What are the investment implications? Well, the study concludes that most profitable firms in the industry in the year will be second-tier component suppliers, design houses and de-integrated manufacturers. These suppliers will underperform.

Perhaps. But the example of

high-quality bicycle industry, which has been vertically integrated, offers an alternative vision of the future. Key players are not the assemblers, or the second-tier suppliers, but the manufacturers of components, whose brand image and global reach outstrip the assemblers.

Analogously, the personal computer market is becoming in which the major suppliers, Apple and Microsoft, have the power and the profits, leaving the assemblers and the smaller suppliers slim pickings. Perhaps the first component manufacturer to follow Intel's lead by advertising "GEN" or "Nippon" under the bonnet" will be the car industry play of the 21st century.

World's best

Whatever the future may be, it was certainly kind to the companies, in the long-term at least. As the

shows, car sales were one of the top four best-performing global sectors in the FT-Actuaries World Index last year, and they have now regained all the ground lost in the recession. The chart shows last year's top five sectors in a longer-term perspective. (The sparkling performance of the Diversified Consumer Goods and Services sector probably owes as much to the success of Hong Kong's companies, Jardine Matheson and Hutchison Whampoa, as to an acceleration in its direct influence.)

Only three FT-AWI sectors had value last year: beverage and tobacco manufacturers fell 11 per cent under the influence of the Great Branda Panic. Health and personal care dropped 2.1 per cent as the US, Germany and - last year - Italy put the squeeze on prices. Textiles and clothing also fell, by 0.9 per cent. In these terms, the long-debated switch out of defensive factors.

In the long run, the deflationary bias inherent in such an approach will provoke political tensions, perhaps fatal ones. Until then, however, the trend will place powerful downward pressure on prices.

If 19th century Britain's guiding principle was autocracy tempered by assassination, the political economy of late 20th century Europe will be defined by popular revolt.

where, and forcefully, the people's voice will be heard.

Debt not equity

The craze in emerging markets is usually measured in terms of portfolio investment in equities, as in the left-hand chart. But this is a small proportion of the huge flows of funds to the rapidly growing economies of south-east Asia. The World Bank estimates that \$60bn has flowed into the region's developing countries, of which only a small portion equity investments. The great bulk is made up of \$27bn of long-term debt and \$25bn of foreign direct investments. These figures are exactly double those of 1992.

Option to default

Investors will be dismayed by one aspect of the rapid proliferation of option theory at business schools. The traditional bond as equity option - from the point of view of the issuer - has been transformed by the notion that a company issuing long-term debt is, in effect, acquiring an option as to whether to repay the principal, since bankruptcy is always available as an alternative.

If the purchasers of the option implicitly under-price the option, issuing bonds is inherently more attractive than issuing equity, a perception that might explain the steady drift upwards in the yield-to-maturity of US corporations in the 1990s.

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If 19th century Britain's

guiding principle was autocracy tempered by assassination, the political economy of late 20th century Europe will be defined by popular revolt.

Total return in local currency to 25/11/93

	US	Japan	Germany	France	Italy	UK
Cash	0.06	0.05	0.12	0.13	0.16	0.09
Week	-0.04	0.08	-0.04	0.08	-0.31	
Month	0.14	0.44	2.69	2.69	0.73	0.48
Year	3.88	3.47	7.44	9.56	1.73	0.48
Bonds 3-6 year	-0.04	0.08	-0.04	0.08	-0.31	
Week	0.14	0.44	2.69	2.69	0.73	0.48
Month	0.60	11.33	17.57	27.99		
Year						
Bonds 7-10	-0.12	0.15	-0.16	-0.18	-0.84	
Week	-0.34	0.96	1.45	2.19	4.10	1.49
Month						
Year						
Equities	-0.2	1.4	-1.0	-0.8	-2.7	-1.1
Week	0.4	4.8	4.7	4.6	5.1	
Month	10.1	14.7			41.9	25.9
Year						

Best performing stocks from FT-A World Indices in local currency to 25/11/93

	Close	Week	Month	Year
United Plantations	11.5 MS	84.3	152.2	
ShengLi	7.2 SS			
Tudor	11.00 P	27.4	48.6	160.3
Amoco (USA)	7.00 US	27.3	27.3	-1.8
Elf	11.00 M	25.2	126.7	
Fiat	11.00 M	24.7	61.6	
Radioteknique	11.00 FF	24.7	26.7	
Faber	11.00 MS	24.4	41.3	373.5
Telecom Italia	11.00 MS	21.9	31.1	77.3
Hightech	11.00 M	21.2	45.6	142.2

Source: Cash & Equities - Lehman Brothers. Squares = O'Leary Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

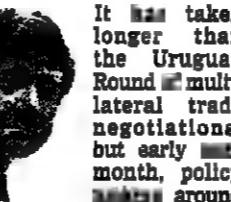
A contribution to this debate comes in a recent paper from Moody's, the rating agency, assessing how credit quality has changed over the past 20 years. It can be summed up in one word: worse. In the most difficult year of the 1990s, for example, Moody's had to downgrade only 10 per cent of issues in the 1970s, a much more disturbed decade, the worst year was 6.1 per cent downgraded, but many were 2 per cent or less.

In every year since 1982, downgrades have run at more than 5% per cent of issues outstanding, and in some years the figure has been much higher. In 1986, for example, nearly one in 10 issues was downgraded, and though the figure has fallen since 1990, it was still 3.7 per cent in 1993.

In the 1990s, issuers started to price the "option" more realistically, and gearing fell. Now, balance sheets have been returned by the equity issues of recent years, and the implicit option price has been falling as many junk bonds have narrowed. The advantage of shifting

Economic Notebook / Peter Norman

How to monitor economies



How SNA tracks national output and wealth

Type of item	Main items reported
① Opening balance	National wealth in terms of assets, liabilities and net worth.
② Production	GDP, value added, industrial, sector, accounts show outputs and inputs etc.
③ Income and its use	National disposable income, consumption, saving; includes types of income and their redistribution
④ Capital	Capital formation, includes changes in net worth due to saving and net capital transfers
⑤ Financial	Acquisition of financial assets, liabilities, net lending and borrowing.
⑥ Revaluation	Changes in net worth due to changed prices of assets, liabilities
⑦ Other changes in assets	Covers items such as new discoveries of natural resources, catastrophic losses, uncompensated seizures.
⑧ Closing balance sheet	National wealth, net worth, reflecting above items

quickly and considerably.

The "who" covers non-financial companies, financial groups, government institutions, households, which in turn consist either of individuals, groups, and non-profit institutions. The foregoing question concerns measures of production, income, saving and investment and the SNA framework includes domestic and foreign activities, financial and non-financial transactions, and all assets and sub-accounts.

It is rooted in the market system, where goods and services are produced and traded for a price.

The accompanying panel gives a simplified picture of what the SNA does. Its aim is to record the nature of goods and services that are part of the market system, applying the same concepts, methods and standards as in all assets and sub-accounts. It is rooted in the market system, where goods and services are produced and traded for a price.

That sounds simple. But, as Mr Joseph Duncan, the chief statistician of Bradstreet and one of America's leading statisticians, has observed: "The problem of the system

changes will be the gradual disappearance of national product from national accounts to be replaced by gross national income. This has been no significant change in the boundaries of production.

The new SNA will do nothing to help feminist economists who have strongly criticised the system and governments, largely ignoring the role of women in society. It does not take account of housework or their unpaid contributions to family businesses and farms, which play a vitally important part in production in developing countries.

Environmentalists have long complained that the SNA does not properly reflect quality of life such as the costs of pollution. Indeed, pollution, which is destructive, appears in national accounts as a component of economic growth when attempts are made to clean it up.

However, because the system is concerned with market significance in a nation's affairs, it does not reflect the proceeds of crime. Nonetheless, 1993 SNA revision has a distinguished pedigree.

It was agreed by officials from the United Nations, the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development and Eurostat, the statistical office of the European Union.

User groups were consulted. A technical committee was set up to involve developing countries in the work. The Soviet Union and its allies had a surprisingly strong interest in discussions in the late 1980s. Communism's collapse, the former centrally planned economies have enthusiastically adopted the national accounts system as part of their adoption of market economies.

The new system has been implemented with IMF payments of payments data. It takes proper account of value added tax, which had still to be applied in Europe when the SNA was last revised in 1985. At the new millennium from now onwards gradually implement the recommendations. National information will become much more comparable internationally. In theory, this should facilitate co-operation on economic policies in an increasingly interdependent world.

However, it is a moot point whether the framework can fairly reflect the complexity of a world in which nations are experiencing revolutionary changes in social conditions, family structures and the environment through the application of new technologies in industrial and commercial businesses, while others are struggling to develop beyond subsistence farming.

To be fair, the authors of the SNA have recognised the limitations and provided provisions in the system to overcome some of its inflexibility by setting up "satellite" accounts. These will enable countries in rural development in health,

EMERGING MARKETS: This Week

The Emerging Investor / Anthony Robinson

Will the boom continue in central Europe?

Central Europe's fledgling stock markets astonished all but a tiny handful of canny professionals last year as word of large paper profits attracted local and foreign money into Warsaw's tiny stock exchange.

Warsaw's boom was followed by similar forays into Prague and Budapest, as the price earnings ratios of Polish shares rose to western levels and investors piled into Hungarian and Czech shares hoping for a similar ride.

Few expect Warsaw, with its puny 22 stocks, to repeat last year's average 700 per cent capital gain. But last year's easy profits have already attracted attention of traditional left-wing thinkers among the re-vamped former communists who dominate the left of centre coalition government formed after general elections in September.

In parliament last week Mr Leszek Miller, labour minister, who faces strong demands from his party's trade union backers for higher pensions and social spending, called for a capital gains tax and Mr Marek Borowski, the finance minister, said his ministry was exploring the practicalities of a small transaction tax on share dealings on the Warsaw bourse.

However, Mr Borowski quickly added that the government had more to gain from continued growth of the stock market than from new taxes.

CURRENCY MARKETS

Sterling and dollar strength to be tested

Activity on the money markets looks set to be fragmented this week, with attention focused fairly equally around the dollar, yen and D-Mark.

With the fifth round of US-Japan trade framework talks due to begin in Tokyo this week, a key question will be the sensitive relationship between the dollar and yen.

Last year the US government tried to talk down the dollar's rate against the yen to put pressure on Japan in trade negotiations. But a carefully timed intervention by Mr Lloyd Bentsen, US treasury secretary, last week criticised the

Pointing to the 3,000bn zlotys raised for the state treasury from the recent privatisation of Bank Skanski he sought to educate the government's own political supporters by warning that taxes which depressed share prices would lead to a fall in the expected revenue from privatisation.

Many foreign investors, who moved in when they saw the market take off in the first half of 1993, have in any case already taken their profits. Big players in emerging markets, like Salomon Brothers, expect a substantial market correction to reflect prices which no longer bear much relation to the future earnings capacity of the enterprises concerned.

A correction will be painful for thousands of latecomers to the Warsaw market but is unlikely to be either deep or prolonged. The Polish economy expects another year of 4 to 5 per cent growth in 1994.

The new government has indicated it will maintain the tight fiscal and monetary measures imposed by the IMF, and hopes are rising for an agreement on Poland's \$2.7bn budget deficit. The latter will improve Poland's access to future bank borrowing and raise its overall investment profile.

On the privatisation front some 20 to 30 "National Investment Funds" are being created to manage more than 300 state companies to be privatised in a former vice chairman of

Ten best performing					
Stock	Country	Friday close	Week	Change	YTD
Stora Enso	Finland	1,000.00	0.0022	+0.2%	-1.5%
Doktor	Turkey	1.72	0.35	+26.1	-
Oltrost	Turkey	0.22	1.25	+550	-
Koc Holding	Turkey	27.24	5.28	+24.0	-
Lilac (id)	Brazil	2.86	0.55	+23.9	-
Cuney (id)	Turkey	1.61	0.31	+23.4	-
Copene (id)	Brazil	0.35	0.06	+17.1	-
Monteiro Bank of Greece	Greece	52.00	9.50	+22.3	-
Wells Fargo & Co.	Taiwan	1.43	0.26	+18.3	-

The first round of privatisation. They will be run by foreign and Polish-based investment managers.

Throughout the region, 1994 should be the year when privatisation really begins. The Czech Republic has emerged as the main success in mass privatisation through a voucher privatisation scheme with shares in many state companies distributed between individual holders.

Poland deposited their vouchers with a state bank, the National Bank of Poland. This has given the state free to become the main buyers and sellers of shares, on and off the stock exchange, building up controlling stakes in chosen companies as they do so. A second round of privatisation, involving more than 600 companies, has started.

Czech fund managers are already seeking qualified managers for their new assets, in a emblematic case recruiting a former vice chairman of

Chrysler to restore the fortunes of Tatra, the Czech heavy truck maker.

This year, given the high cost and difficulty of obtaining funds from the banking system, companies in central Europe will be tempted to take advantage of booming stock markets to raise market quotation and public share issues to raise cheap equity capital. At this point the market will be in the glorified case they have been now and start to perform basic economic functions - providing a channel for capital from investors to enterprises. In many cases public offerings of newly privatised companies are expected to provide a relatively cheap entry for investors.

On the Prague stock exchange, officially opened last April, trading only really began in June after shares from the first 100 of voucher privatisation were finally finalised.

Chrysler to restore the fortunes of Tatra, the Czech heavy truck maker.

transferred to their new owners. On December 16, the last session of 1993, securities worth more than \$65bn had been traded.

Trading in the twice weekly market is heavily concentrated on a small number of popular stocks. The rival over-the-counter RM-System, established shortly after the stock exchange, offers periodic share auctions through its computerised system, but both systems as well as market operators have faced testing problems. Only a handful of companies are fully listed and analysts say legal protection is inadequate.

Some shares are already considered overpriced, though most analysts remain bullish about prospects for 1994.

Budapest's stock exchange is also on an upward trend with the BSE index hitting record highs. Brokers are banking on the inflow of foreign money continuing. So although the BSE is up 50 per cent above a year ago, it may have some way to go. At 1230, the market is barely above the peak of March 1991, a substantial fall in dollar and terms. Prospects for earnings growth in the medium term, however, are good and the climate for new issues is promising too. The privatisation authorities appear ready to price offerings competitively. The performance of Pick, the oil producer, has provided an alluring precedent for investors. Its shares have more than tripled

in price, from Ft1,300 to Ft4,200 in just four months.

Many analysts, however, remain sceptical that 1994 will be a boom year in the Budapest stock market. Overstating budget and current account deficits have pushed up interest rates and are likely to draw investors back to the government bond market, which in any case dominates turnover.

Even after a dramatic increase in post-tax earnings for listed companies as a whole, the average p/e ratio based on earnings per share and year-end total capitalisation of 15.5 times, is still considered high.

Liquid assets suitable for institutional investors are particularly expensive. Foket, the retailer, is up 22 times since earnings. The figure is 11 times - if the loss-making firms are excluded.

Higher stock prices are attracting a raft of initial public offerings. The end of the year saw a batch of four small issues. Brazil's First Boston, the most active international investment bank in Budapest, has focused on corporate bond and commercial paper markets but is now turning its attention to the Nasdaq. According to First Boston's Vienna, Christopher Schmid, First Boston's managing director in Budapest, the private placement market has been a source of

News round-up

■ Hong Kong

China will this week announce another group of Chinese incorporated companies to be listed in Hong Kong.

Charles Lee, chairman of the Hong Kong stock exchange and they include medium and small firms involved in the infrastructure, transportation and telecommunications businesses.

Lee added that it was possible that one or two of the companies in the group would be listed in Europe and in the US as well.

■ Poland

The Polish government is considering introducing some form of taxation on capital gains. However, Mr Marek Borowski, the finance minister said that the tax should not be introduced until it did not discourage investors from hampering the growth of the stock market, which has been a source of

uncertainty. Poland added that 186 new companies offering their shares in 1993 and the number of shares traded reached 1,140,000,000 at the end of 1992.

■ Further coverage of emerging markets is on the daily World Stock Markets page.

ers and union leaders from 56 companies in an effort to persuade them to join firms already enlisted for the programme.

■ Zimbabwe

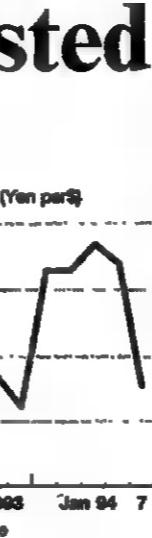
Zimbabwe's central bank has details soon about the new rules on increased foreign shareholding in local firms. The central bank already said that foreign investors would be allowed to buy up to 25 per cent shares held by local companies, with each individual investor limited to 10 per cent of equity offered.

■ Israel

The chairman of the Tel Aviv stock exchange is optimistic about the outlook for 1994. Mr Haim Stoessel said that future developments depended increasingly on a mixture of political and economic factors that were not easily forecast.

■ Poland has stepped up efforts to lure more new firms to its Nasdaq-like Privatexx programme. Programme rules closing the list of participants at the end of this month. Mr Wlodek Kaczmarek, the privatisation minister, has announced

Gillian Tett



Index	7/1/94	Week on week Actual	Percent	Month on month Actual	Year to date Actual	Percent
World (239)	170.97	2.58	1.52	19.74	13.05	2.56
Latin America						
Argentina (19)	115.42	0.04	0.03	14.40	14.26	0.04
Brazil (18)	152.51	12.88	9.21	12.13	8.64	12.86
Chile (12)	159.86	12.32	8.35	32.77	25.78	8.35
Mexico (22)	168.38	5.11	3.17	18.35	12.40	5.11
Latin America (71)	156.06	6.82	4.57	13.33	8.82	4.57
Europe						
Greece (14)	95.71	12.62	15.18	11.77	14.03	12.82
Portugal (13)	114.18	2.05	1.83	1.22	2.05	1.83
Turkey (22)	179.21	17.50	10.82	42.87	31.44	10.82
Europe (49)	121.57	8.44	8.41	14.25	12.27	9.44
Asia						
Indonesia (17)	178.48	7.44	4.35	24.08	15.80	7.44
Korea (23)	111.16	1.48	1.33	11.07	11.06	1.48
Malaysia (21)	236.45	-15.80	-8.58	13.20	5.91	-16.80
Philippines (5)	311.99	-10.49	-3.25	60.44	24.03	-10.49
Thailand (20)	248.58	-14.97	-5.88	9.79	4.10	-14.97
Taiwan (29)	157.91	4.20	2.73	50.80	47.16	4.20
Asia (115)	213.83	-7.78	-3.52	23.94	12.62	-7.78

All indices in \$ terms, January 7th 1993=100. Source: Barings Securities

SIP

Società Italiana per l'Esercizio delle Telecomunicazioni p.a.

Registered in Italy at Turni Share Capital L. 5,485,485,226,000 fully paid. Registered at the Court of Turni N. 131/17 Register of Companies Fiscal Code N. 111

NOTICE

MERGER FOR THE INCORPORATION INTO SIP OF THE COMPANIES ITALCABLE, IRTEL, TELESPAZIO AND SIRM

For the proper information of whoever is interested in our Company concerning our Company, having issued shares and other rights assigned to SIP shares, being proprietor of shares, notice is given in accordance with what adopted by the SIP Board of Directors, proceedings have begun for the incorporation into SIP of other companies concessionaries in the telecommunications service that part of the IRI Group. And this operation will be completed by 30 September 1994, as prescribed by the Government authority. The merger is proposed in General Meetings of the interested companies on the basis of evaluation of the companies referring to their respective financial effect, resulting from relative balance-sheets; the operation will affect, as regards accounting and fiscal aspects, from 1 January 1994. The merger project is published in the ways and according to Italian law.

Rome, December, 1993

PRESIDENT
Ernesto Pascale

NOTICE OF REDEMPTION

MORTGAGE INTERMEDIARY NOTE ISSUER (No. 1) AMSTERDAM B.V.

£50,000,000 Mortgage Backed Floating Rate Notes 2010

NOTICE IS HEREBY GIVEN by Bank of America National Trust and Savings Association as Principal Paying Agent to the holders of the Notes that, pursuant to the Trust Deed dated 5th February, 1985 under which the Notes were constituted, ALL outstanding Notes in aggregate principal amount of £5,475,000 will be redeemed on 18th February, 1994 at their principal amount of £25,000.

Holders and any unmatured coupons should be surrendered to Bank of America National Trust and Savings Association, 1 Alton Street, London E1 8DE at the option of the holder to the Bank of America National Trust and Savings Association in Antwerp or Zurich or Banque Internationale Luxembourg specified thereon.

After 18th February, 1994 any unmatured Coupons relating to such Notes (whether or not thereto) shall be void and no payment shall made in respect of and no claim shall be exchanged for such Coupons.

There will be no Notes outstanding after 18th February, 1994.

Dated: 10th January, 1994.

Bank of America

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WORLD BOND MARKETS: This Week

NEW YORK Martin Dickson

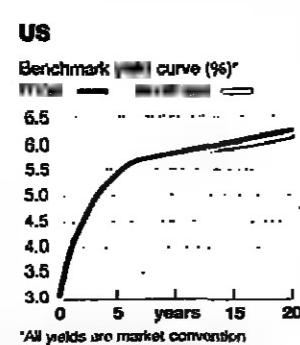
The bond market, buoyed on Friday by helpful employment figures for December, will be looking for good inflation statistics this week to bolster its positive tone.

The market rallied strongly on Friday on the release of figures that showed payrolls rising by 150,000 in December. This was well short of the figures that Wall Street had been expecting.

The statistics suggested the US economy is at a moderate pace. In the month, aneliorating, is that November's fast growth is sustained, in turn leading to a higher rate of inflation and early action by the Federal Reserve to raise interest rates.

The 30-year-issue ended the week with a yield of 6.41 per cent - the lowest it has been since December 23, and down from 6.41 on Monday, which marked a 4-month high.

Analysts expect the positive



All yields are market convention

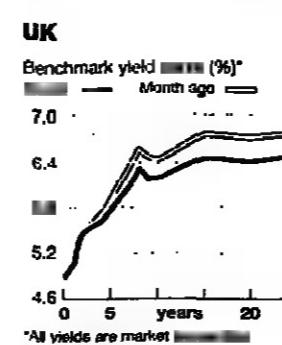
Source: Merrill Lynch

LONDON Philip Coggan

Investors appeared to be taking a breather last week, when trading was thin and prices drifted lower. But they should have some more substantial domestic economic figures to chew on next fortnight. Earnings and unemployment figures are due next week and December retail sales and inflation figures are due on January 19.

Traders will be watching for signs of inflationary pressure that might prevent the government from cutting rates. "Earnings growth has fallen 3 cent and it is vital to the bull case that the rate of growth not pick up," Mr. Briscoe, UK economist at Warburg Securities.

Long gilts fell about 1/4 points between Tuesday and Thursday last week. The higher-than-expected growth in the M0 money supply measure was not encouraging. The M0 rise, and an 0.2 per cent annual increase in circulation in the



All yields are market convention

Source: Merrill Lynch

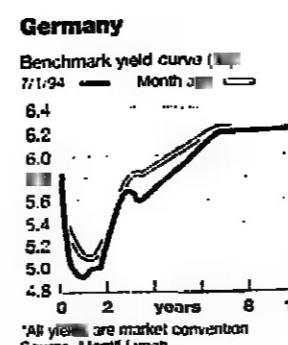
FRANKFURT Conner Middemann

German government bonds have had a bumpy ride, rallying sharply over the Christmas period, selling off last Tuesday and recouping some of those losses towards the end of the week.

The Bundesbank's decision to leave interest rates unchanged at Thursday's council meeting, and Hans Tietmeyer, its president, rates would be kept on hold for the time being, gave some support to the long end of the yield curve as well as the D-Mark.

Bonds further underpinned by the strength of the US Treasuries market following the release of slightly weaker-than-expected jobless numbers on Friday.

In the absence of market-moving data, German bonds this week are expected to trade within a narrow range, with March bond future fluctuating roughly



All yields are market convention

Source: Merrill Lynch

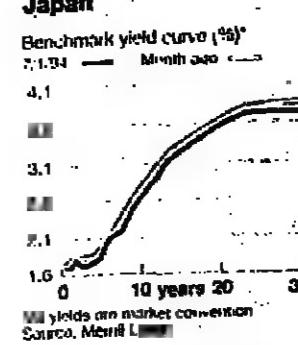
TOKYO Emiko Terazono

Pessimism over economic recovery is expected to deepen in the bond market as concentrations on the negotiations for political reform.

That debate could further delay the economic support package. If the political reform bill fails to pass the upper house by Sunday - 60 days after the bill's passage in the lower - the lower chamber obtains the right to form a joint committee with the upper house to enact amended versions.

Expectation of a delay in the economic package is deepening the gloom, pushing the yield on 15-year 10-year benchmark lower. Some traders expect the yield, which closed below the 6 cent mark last Friday for the first time in six years, to hit historical low of 5.5 per cent.

Last week's recovery of the Tokyo stock market gives little incentive to place new funds into the bond market. Speculation is lower



All yields are market convention

Source: Merrill Lynch

and an imminent cut in the official discount rate cut have been supported by share prices, but further buying of export-oriented shares to the weaker could undermine such hopes. Short-term interest rates may rise slightly this week, the final week of the December reserve maintenance period. Banks are expected to raise the money to dip into the money accounts at the Bank of Japan.

Capital & Credit / Conner Middemann

Ireland remains an attractive option

While European bond markets wavered in the doldrums, Irish gilts powered ahead last week, fuelled by bullish domestic fundamentals and a fall in interest rates.

Although the market enjoyed a sizeable rally in recent months, many feel it has further to go. "Ireland is one of the most attractive stories around," says Mr Gordon Johns, managing director of Kemper Investment Management, the London-based fixed-income subsidiary of a large fund.

According to Kemper's calculations, Irish gilts last year posted the strongest performance of the 21 bond markets monitored, yielding 11.5 per cent return in currency terms. While such stellar returns are less likely this year, "on fundamental economic grounds, Irish markets are still very attractive," says Mr Johns.

The Treasury surprised the markets with lower-than-expected 1993 budget deficit numbers, announcing that the Exchequer Bor-

rowing Requirement for last year was £690m, or 2.5 per cent of national product, well below the target of £765m, or 3 per cent of GNP.

"The underlying picture of public finances was much better than expected, and Ireland and Luxembourg are the only countries that meet the strict criteria in budget cuts this year," notes Mr de Jong, chief economist at Goodbody Stockbrokers in Dublin. The government's funding position at the end of 1993 was "extremely favourable", leaving it in a healthy position going into 1994, he adds.

Funding is declining this year, with gross issuance seen down sharply from last year's £1.5bn. Mr Oliver Mangan, senior economist at Davy Stockbrokers in Dublin, estimates gross issuance at £1.2bn this year.

While last year's concentrated mainly in 10-year maturities, borrowing is likely to shift to longer maturities this year. It is likely to see the

introduction of a new long-dated stock, possibly a 25- or 30-year issue," says Mr Mangan.

Meanwhile, the Irish pound has been going from strength to strength, becoming the first currency in the European Monetary System's exchange rate grid and trading above former 10 per cent ceiling against the D-Mark. It is now around DM45.

Friday, well above the

level of the limit

to it under the former narrow band.

The currency's strength, and

last week's fall in bond

markets following a

Christmas squeeze, enabled

the Irish pound to remain underpinned by the country's solid economic performance. After growing by 4 per cent in 1993, Ireland's economy is set to rise by about 3 per cent in 1994, lifted by a recovery in domestic demand, acceleration of UK growth and consolidation of the recovery, Mr Mangan predicts.

By the end of the year, he expects the pound to be higher against sterling at 1.5 per cent and a good deal stronger against the D-Mark, at around DM45.

Inflation is expected to

remain under control. Following last January's 1.5 per cent devaluation of the pound, many forecast headline inflation around 3 per cent. Instead, it fell to an annual rate of about 1.5 per cent.

In spite of prospects for continued economic recovery, inflation rates are

expected to remain capped by low oil prices, subdued inflation, the strength of the Irish pound, moderate

unemployment few, if any,

in direct increases in the January budget, analysts are looking for an average headline rate of 2.5 per cent.

The Irish 10-year yield spread over German bunds narrowed sharply in 1993 after hitting a high of some 200 points last January. On Friday, it stood at some 65 basis points, in the low end of recent basis point range. However, although yields are expected to continue falling, many analysts do not expect that to get much higher.

If anything, it could widen

back to the top of the range in the second half of the year, when UK yields are expected to rise in response to a deterioration in the UK inflation profile.

The favourable inflation gap

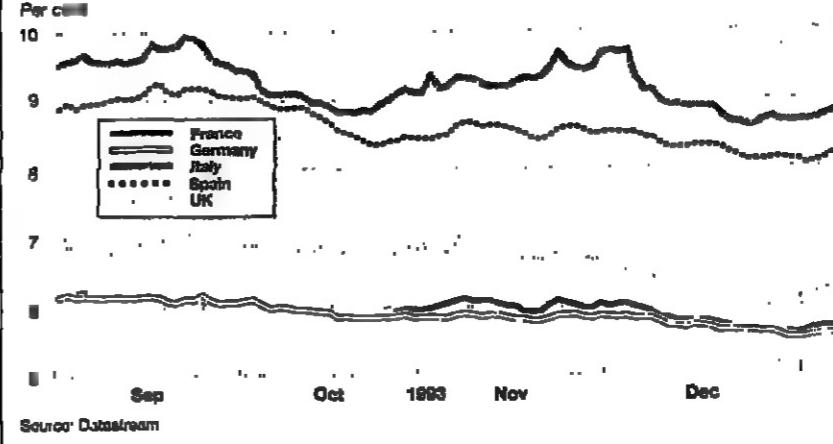
Germany is likely to be

eroded in the course of the year as inflation declines in Germany and rises in Ireland, causing the yield gap to widen.

By year-end, analysts

expect the Irish 10-year yield to be between 5.75-6 per cent, trading at some 80 basis points over bunds.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.75	7.00*	8.00	8.50*
Oversight		2.31	8.05	8.50		8.38
One year	3.07	2.12	6.71	8.05		
Five year	3.55	1.76	6.08	5.43	7.75	8.12
Ten year	5.05	2.08	5.02	8.42	8.73	8.73

*France-Rape rate, **UK-Base rate Source: Reuters

TREASURY BOND FUTURES (CBT) \$100,000 32nds of

	Open	Settled	Change	High	Low	Ext. vol.	Int.
Mar	114-18	115-03	+1-18	116-07	114-00	377,740	300,850
Jun	113-10	115-00	+1-17	115-03	112-30	1,234	14,611
Sep	112-08	114-01	+1-17	114-03	112-03	63	18,595

International / Sara Webb

A flying start in the Eurolira sector

Borrowers dashed with indecent haste to launch their year Eurobond issues, tapping a wide variety of currencies and maturities in the first few days of the year.

While several of the international bond market saw substantial new supply, one of the most interesting was the Eurolira sector. This offered borrowers attractive arbitrage opportunities, at a time when the regulations governing the market have been eased and when investors for high-yielding paper expected to remain quite strong.

Last week saw a steady rise in Eurolira issuance with deals from Europe - from Eurofima, Kingdom of Sweden, Dresdner Finance, GECC, Credit Local de France, Bayerische Hypothek, and Abbey National - raising a total of £1.76bn, or nearly 1 per cent of the total of £1.076bn in Eurolira issues in the whole of 1993.

It is unusual for issuers to kick off the new year with a burst of activity. But the start of the year saw a change in the regulations concerning the Eurolira sector.

Lead managers no longer

obtain permission from the Bank of Italy for such issues. Instead, a Bank of Italy official said they only have to notify the central bank of their intention to launch a Eurolira issue and the deal will automatically go ahead. Only in the case of borrowers with a low credit rating or no rating at all, or in cases where the issue has an unusual structure, does the central bank maintain a right to withhold permission.

From the borrowers' point of view, it is the favourable opportunities which have provided the main driving force, allowing issuers to obtain sub-bid funding.

Such opportunities

and

borrowers

are

quick

to

take

advantage

of them.

For example, syndicate officials point out that far

much of December, swap

opportunities were unattractive, and there was no issuance in that month.

While hopes are high of a cut in official interest rates in the near future, analysts predict the Bank of Italy may not cut until the Bundesbank lowers the German interest rate.

In the secondary market, Eurolira is quite active, with many

trading

enough

it is getting saturated

dealer.

Given the conditions, it remains to be seen whether the European Investment Bank can find a deal with the Bank of Italy.

Such a large deal could well be suffering from a bout of indigestion.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Maturity	Coupon %	Price	Yield</
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WORLD STOCK MARKETS

WORLD STOCK MARKETS																																					
EUROPE	AUSTRIA (Jan 7 / Sch)	High	Low	Yld	P/E	+/-	High	Low	Yld	P/E	+/-	High	Low	Yld	P/E	+/-	High	Low	Yld	P/E																	
	AlfaRisi	1,810	-13	2,000	230	28	Paribas	208	+1	210	68	—	Netherlands (Jan 7 / Frs)	Richter	1,425	+10	1,430	1,110	—	Kronos	709	+17	910	635	—	Schicks	1,780	+80	1,850	1,460	—	Graphis	95	+1	100	50	34,045
	Blaust	1,145	-10	1,250	200	0.7	Perini	507	+1	510	59	—	APG/NV	71,70	-10	70,50	60,69	—	Koys	534	+17	534	547	—	Carpe	5,50	-09	4,94	14	35,445							
	Credit	920	-10	925	400	0.7	Profil	210	+1	210	190	—	AEON/DE	108,90	+10	108,90	74,40	—	Kobus	510	+10	510	510	—	Neuenschwander	500	-09	455	14	35,500							
	Euro	4,120	-10	4,210	240	0.7	Profit	434	+1	434	348	—	SHV	2,128	+10	2,130	1,937	—	Kunz	508	+10	508	508	—	SCPI	105	-09	105	19	105							
	Luxembourg	1,815	-10	1,815	650	12	Profit	617	+1	618	500	—	DSM	77,10	+10	77,10	65,40	—	Kurz	353	+10	353	353	—	Scop	105	-09	105	19	105							
	Deutsche	948	-10	1,000	100	12	Profit	617	+1	618	500	—	DSCH	107,80	+10	107,80	92,20	—	Kunz	353	+10	353	353	—	Scop	105	-09	105	19	105							
	Perfin	1,008	-10	1,105	200	20	Profit	617	+1	618	500	—	DSCH	107,80	+10	107,80	92,20	—	Kunz	353	+10	353	353	—	Scop	105	-09	105	19	105							
	Reitex	450	-10	475	200	20	Profit	617	+1	618	500	—	DSCH	107,80	+10	107,80	92,20	—	Kunz	353	+10	353	353	—	Scop	105	-09	105	19	105							
	Hedex	1,008	-10	1,105	200	20	Profit	617	+1	618	500	—	DSCH	107,80	+10	107,80	92,20	—	Kunz	353	+10	353	353	—	Scop	105	-09	105	19	105							
	Hedex	1,008	-10	1,105	200	20	Profit	617	+1	618	500	—	DSCH	107,80	+10	107,80	92,20	—	Kunz	353	+10	353	353	—	Scop	105	-09	105	19	105							
	Hedex	1,008	-10	1,105	200	20	Profit	617	+1	618	500	—	DSCH	107,80	+10	107,80	92,20	—	Kunz	353	+10	353	353	—	Scop	105	-09	105	19	105							
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	Hedex	1,008	-10	1,105	200	20	Profit	617	+1	618	500	—	DSCH	107,80	+10	107,80	92,20	—	Kunz	353	+10	353	353	—	Scop	105	-09	105	19	105							
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	Hedex	1,008	-10	1,105	200	20	Profit	617	+1	618	500	—	DSCH	107,80	+10	107,80	92,20	—	Kunz	353	+10	353	353	—	Scop	105	-09	105	19	105							
	Hedex	1,008	-10	1,105	200	20</																															

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— 1 —

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

BESTIAL CHARGE: Some such as noted

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called reservation price. The price at which units are sold back by inventors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between

set maximum price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most oil-field managers quote a much

process, and the bid managers quote a much smaller spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation

the bid price might be moved to the cancellation price by the manager at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The box shows alongside the fund manager's name is the time of the unit trust's valuation point yesterday, another time is indicated

election point unless another one is indicated by the symbol alongside the individual unit trust issue. The symbols are as follows: (P) - 0001 to 1100 (EXC); (H) - 1101 to 1200 (AMERICAN); (M) -

1100 hours; 144 - 1101 to 1:00 hours; 144 - 1401 to 1700 hours; 144 - 1701 to midnight.
Daily clearing entries are set on the basis of the
whichever point a short period of time may

July, showing a 4.6% rise in oil and gas sales in the valuation point; a short period of time may affect future prices because available

Journal of Health Politics, Policy and Law, Vol. 32, No. 4, December 2007
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BUILDING MATS. & MERCHANTS - Cont'd

ELECTRONIC & ELECTRICAL Engg - Co

ENGINEERING VEHICLES

HEALTH CARE

INVESTMENT TRUSTS - C

BONDING BONANZA												BONDING BONANZA												BONDING BONANZA											
	Wk %	Div	Div	Dividends	Last	City		Wk %	Div	Div	Dividends	Last	City		Wk %	Div	Div	Dividends	Last	City		Wk %	Div	Div	Dividends	Last	City								
ABN Amro Pl.	Notes	Price change	not cov.	paid	1.0	10.05%	18 Sep May	1.9	1867	Travel Partners	Notes	Price change	not cov.	paid	0.6	10.05%	4.10	2813	Control Tech	Notes	Price change	not cov.	paid	0.3	17.5	1.0	10.05%	1.0	1405	Ridelity Euro Uts					
AMZ AS.		225	-3.3	0.026		9.3	Jan Jul	9.15	1868	Tudor		22	-0.6	0.35	0.6	10.05%	10.4	4335	Craymore		91	-5.6	1.8	3.3	17.5	1.1	10.05%	1.1	1805	Warren					
Alberty National		490	-4.3	1.185		2.3	May Oct	16.9	1869	Unigroup		36	-2.7	-	-	10.05%	13.8	1567	Cray		185	-1.8	2.5	2.5	13.8	1.1	10.05%	1.1	1806	Fidelity Growth					
Allied Irish L.		312	6.5	0.044%		2.1	Oct May	18.8	1870	Watthouse		33	-	-	-	10.05%	7.92	1567	Catchley Gap		434	1.6	4.8	1.6	13.3	1.1	10.05%	1.1	1807	Fidelity Sust Co's Act					
Anglo Irish L.		63	12.5	0.075%		1.5	Jun Dec	20.11	1871	Wicks		112	-1.6	0.7	-	10.05%	15.11	4488	Axon Rehder		515	6.2	10.8	3.5	13.1	1.1	10.05%	1.1	1808	Amex Marque					
Ashto Y.		181	0.1	0.04%		1.3	Jun Dec	10.12	1872	Widow		101	-0.5	3.2	1.0	10.05%	15.11	4515	Bally		92	2.1	5.1	2.8	10.5	1.0	10.05%	1.0	1809	Bancor Int'l					
Banco B&V Plc		5745	-2.1	0.025%		2.7	May-July	12.7	1873	Wolseley		101	-0.5	2.3	1.0	10.05%	13.12	4523	Dana Bus Sys		102	6.2	15.1	7.7	10.05%	1.0	1810	Deutsche Cr Pt							
Banca Sant'Pa		2035	-2.2	0.034%		2.0	May-July	30.30	1874			570	-	-	-	10.05%	14.0	4524	Data		511	5.6	14.0	1.6	10.05%	1.0	1811	Decent							
Bank Leumi (UK)		376	-	-		17.0	-	Apr Sep	2.8	1875			34	-	-	-	10.05%	15.1	4525	Davidson		71	-1.5	1.5	1.5	10.05%	1.0	1812	Decent						
BS Ireland Co.		3165	0.2	0.015%		1.5	Jul Dec	15.11	1876			48	-	-	-	10.05%	17.0	4526	Deutsche		48	1.5	2.7	1.0	10.05%	1.0	1813	Domino Pint							
Bank Scotland		223	-0.4	0.47%		1.6	Dec Jul	18.10	1877			74	-	-	-	10.05%	15.1	4527	Dowding S. M.		245	0.5	1.5	0.5	10.05%	1.0	1814	Dowling S. M.							
Baptist Plc		138	-1.1	0.1%		1.5	May Nov	18.10	1878			145	-0.5	1.0	-	10.05%	17.0	4528	Druck		1425	16.8	18.3	4.7	10.05%	1.0	1815	Dunbar-Boss (M)							
Baptist Plc		148	-0.7	0.1%		1.5	May Nov	18.10	1879			1265	-0.2	0.55%	0.1	10.05%	17.0	4529	Electronics B Srl		304	1.2	2.0	0.1	10.05%	1.0	1816	Emerson							
Barclays		619	-1.7	1.25		1.0	Oct May	16.8	1880	AGA Str		321	2.8	0.007%	0.1	10.05%	24	1865	Ericsson		231	1.9	0.1	0.1	10.05%	1.0	1817	Eurogroup							
Barclay Carr V		1886	0.0	0.01%		3.2	Jun Dec	10.12	1881	AGA Plc		245	0.402%	0.1	0.1	10.05%	22.9	1866	Europcar		235	1.9	0.5	0.5	10.05%	1.0	1818	Europa							
Deutsche Bnk		1334	-3.1	0.01%		3.0	May	24.5	1882	Alcatel Cofides		235	1.3	-	-	10.05%	5.7	1867	Exponent		235	0.5	0.5	0.5	10.05%	1.0	1819	Exponent							
Espresso Santo		2311	-3.0	0.102%		5.2	Jun	4.8	1883	Amber Ind		74	-	-	-	10.05%	25.1	1868	Fairmy		238	0.5	0.5	0.5	10.05%	1.0	1820	Fairmy							
First Nat Fin		62	-0.7	0.05%		1.5	Aug	16.8	1884	BAST DM		1712	-0.64%	0.1	0.1	10.05%	5.5	1869	Farmer		401	2.4	-	-	10.05%	1.0	1821	Farmer							
Geop Co Pr		794	-2.5	0.3%		1.6	Jul Jun	4.1	1885	BDC		803	0.5	0.5	0.5	10.05%	17.0	1870	Feedback		73	2.0	2.7	1.7	10.05%	1.0	1822	Feedback							
Geop Co Pr		2244	-2.4	0.7%		1.7	Jul Jun	4.1	1886	BBG		803	0.5	0.5	0.5	10.05%	17.0	1871	Forward		221	4.8	14.0	11.0	10.05%	1.0	1823	Forward							
Fluji Bank Y		1401	-0.1	0.07%		2.3	Dec Jun	4.7	1887	BTP		334	4.1	0.5	0.5	10.05%	12.9	1872	Furnace Tech		231	1.9	0.1	0.1	10.05%	1.0	1824	Globe Sciences							
HK\$BC HK		936	-5.5	0.20		2.0	Nov Jun	20.9	1888	Bayer DM		240	-1.5	0.008%	0.1	10.05%	20.8	1873	Globe		304	1.2	2.8	1.9	10.05%	1.0	1825	Global Enviro							
HK\$BC (75% Shs)		820	-5.5	0.20		2.0	Nov Jun	20.9	1889	Brent		725	7.4	1.4	1.4	10.05%	19.0	1874	GM		565	1.5	2.5	2.5	10.05%	1.0	1826	GM							
Lloyds		374	-3.8	1.15		1.9	Oct May	28	1890	British Vita		265	6.4	7.2	2.8	10.05%	26.9	1875	Globe		142	4.25	4.25	1.1	10.05%	1.0	1827	Globe							
Meschede Y		1515	-1.2	0.07%		2.3	Jan Dec	10.12	1891	Cambridge Co S		25	-	-	-	10.05%	17.0	1876	Goldman		378	2.6	18.5	1.5	10.05%	1.0	1828	Goldman							
Mitsui Tai & Sei Y		575	-0.7	0.07%		1.5	Dec Jul	10.12	1892	Cambridge (W)		163	3.2	7.25	1.2	10.05%	21.1	1877	Goodwin		265	7.1	7.0	0.3	10.05%	1.0	1829	Goodwin							
Mitsui Tai & Sei Y		535	-2.7	0.17%		5.5	Jan Dec	10.12	1893	Courtaulds		524	14.2	14.2	2.1	10.05%	21.1	1878	Grattan		505	0.45	1.1	0.45	10.05%	1.0	1830	Grattan							
Mitsui Tai & Sei Y		562	-1.4	0.05%		6.0	Jul Jun	10.12	1894	Croda		248	7.85	2.1	2.1	10.05%	20.3	1879	Hecht-Pachell S		505	1.0	10.0	0.5	10.05%	1.0	1831	Hecht-Pachell S							
Mitsui Tai & Sei Y		616	-8	17.8		1.0	Oct May	16.8	1895	Deverix		114	4.8	4.8	2.5	10.05%	16.10	1880	Hilcare		145	4.4	2.3	2.0	10.05%	1.0	1832	Hilcare							
Montane Plc		2301	-2.7	0.05%		2.3	May	12.5	1896	European Colour		26	0.8	0.8	0.8	10.05%	12.5	1881	Ind Ctral Sancs		145	4.4	2.3	2.0	10.05%	1.0	1833	Ind Ctral Sancs							
Ryd Br Scotland		465	20	11.0		1.5	Feb Jun	11.12	1897	Gibson Lyons		141	-	5.2	1.9	10.05%	12.12	1882	Industrials		602	1.2	2.0	2.0	10.05%	1.0	1834	Industrials							
Sakura Y.		587	-14	0.17%		1.0	Dec Jun	10.12	1898	Hannors		4	-	-	-	10.05%	11.0	1883	Kemper		582	0.8	0.8	0.8	10.05%	1.0	1835	Kemper							
Standard Chartered		1214	-2.0	0.17%		2.7	Jan Dec	10.12	1899	Headway		581	2.5	2.5	2.5	10.05%	11.0	1884	Kemper		305	2.5	7.8	2.8	10.05%	1.0	1836	Kemper							
Standard Chartered		1211	-2.3	0.05%		1.5	Jun Oct	16.4	1900	Hedman		125	0.7	0.7	0.7	10.05%	16.0	1901	Kemper		750	14	27.8	8.8	10.05%	1.0	1837	Kemper							
Standard Chartered		1214	-1.9	0.17%		2.7	Jan Dec	10.12	1902	Hedman DM		125	24	24	24	10.05%	13.0	1903	Kodak Int'l		125	4.4	6.8	1.4	10.05%	1.0	1838	Kodak Int'l							
Standard Chartered		1214	-2.0	0.05%		2.7	Jan Dec	10.12	1904	Hedfield Chemtech		125	6.8	2.2	2.2	10.05%	16.0	1905	LPA Inds		52	3.9	5.7	5.7	10.05%	1.0	1839	LPA Inds							
Standard Chartered		250	-5.0	0.4		2.0	Oct Apr	10.12	1905	Hewlett Packard		800	22.5	22.5	22.5	10.05%	16.8	1906	Levithan		221	3.2	3.2	3.2	10.05%	1.0	1840	Levithan							
Standard Chartered		250	-5.9	0.015%		2.0	Oct Apr	10.12	1907	Kakos		810	6.8	3.5	2.1	10.05%	6.9	1908	LifeCare		221	1.5	1.5	1.5	10.05%	1.0	1841	LifeCare							
Standard Chartered		250	-1.9	0.015%		2.0	Jun Oct	10.12	1909	Laecture		261	3.6	18.9	1.7	10.05%	20.8	1910	Microflex		379	3.7	3.7	3.7	10.05%	1.0	1842	Microflex							
Standard Chartered		250	-5.0	0.015%		2.0	Jun Oct	10.12	1911	Mitrof		261	3.6	18.9	1.7	10.05%	20.8	1912	Mitrof		561	7.1	21.4	21.4	10.05%	1.0	1843	Mitrof							
Standard Chartered		250	-5.0	0.015%		2.0	Jun Oct	10.12	1913	Mitrof DM		261	3.6	18.9	1.7	10.05%	20.8	1914	Mitrof Elect Y		561	7.1	21.4	21.4	10.05%	1.0	1844	Mitrof Elect Y							
Total Y.		250	-5.0	0.015%		2.0	Oct Apr	10.12	1915	Nestle		261	3.6	18.9	1.7	10.05%	20.8	1916	Novartis		261	3.6	18.9	1.7	10.05%	1.0	1845	Novartis							
Toyo Tai & Sei Y.		465	-1.9	0.015%		2.0	Jun Oct	10.12	1917	Novartis		261	3.6	18.9	1.7	10.05%	20.8	1918	Novartis		261	3.6	18.9	1.7	10.05%	1.0	1849	Novartis							
Westpac AS		2307	-1.9	0.015%		2.0	Jun Oct	10.12	1919	Novartis		261	3.6	18.9	1.7	10.05%	20.8	1920	Novartis		261	3.6	18.9	1.7	10.05%	1.0	1850	Novartis							
Yeads Ltd N.Y.		250	-2.9	0.015%		2.0	Jun Oct	10.12	1921	Novartis		261	3.6	18.9	1.7	10.05%	20.8	1922	Novartis		261	3.6	18.9	1.7	10.05%	1.0	1851	Novartis							

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